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ABSTRACT

This report describes each of the child care funding streams administered by the Kansas Department of Social and Rehabilitation Services (SRS), the policies and procedures that guide the administration of these funds, and the new KsCares child care automation system that will soon be implemented. These policies, procedures, and systems are then analyzed to determine the extent to which they support "seamless" services; that is, a child care delivery system that offers continuous child care assistance as families move from public assistance to self-sufficiency. In reviewing the Kansas subsidy system from the perspective of seamless funding, the report explores the mechanism used to pay for child care subsidies; the rules, regulations, and procedures that govern each of these funding streams; and the administrative structure and fiscal management structures. The report also assesses the extent to which families who participate in the SRS subsidy system are able to choose from a range of child care options and select care that they feel is most appropriate for their family. The report makes 33 recommendations for: (1) ensuring consistency in rules, regulations, and procedures; (2) streamlining administrative procedures; (3) creating an automated seamless system; (4) expanding supply and demand data; (5) strengthening parent choice and child care supply; (6) expanding training and staff development; and (7) improving coordination with other funding streams. (TJQ)

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Improving the Kansas Child Care System

A Report Prepared for

The Kansas State Legislature
and
The Corporation for Change

by

Louise Stoney
Dennis Zeller

April, 1993

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Introduction

Background

In July of 1991, the Kansas Legislature requested technical assistance from the Child Care Project at the National Conference of State Legislatures (NCSL). With support from the Carnegie Corporation of New York and the Foundation for Child Development, NCSL offers legislative leadership training and research services on a range of early childhood policies, in addition to on-site technical assistance in improving state child care financing systems. As part of this effort, in January of 1993, NCSL contracted with Stoney Associates to provide intensive, state-specific research on and analysis of the Kansas child care subsidy system.

This report was prepared for NCSL under the auspices of the Kansas Corporation for Change, a public-private partnership created specifically to implement a comprehensive Kansas policy for children and families.

Context

In recent years a number of new federal funding streams have been established to support child care services for current and former public assistance recipients as well as employed, low-income families. By 1991, these initiatives will have brought over $17 million in new federal funds for child care into the State of Kansas--an increase of more than 40% of the state's budget for client based child care services in little more than three years.

Although the federal funds have brought vital new dollars for child care services, they have also ushered in a host of new administrative challenges. Federal regulations which accompanied the funds have required that states incorporate new approaches to service delivery and administration. In most cases, these regulations were issued on an interim basis, and thus were subject to change. The regulations were issued at different points in time and by different offices. At times, the rules and regulations for one funding stream conflicted with those of another. The election of a new President complicated matters even further. In short, change was constant. As states across the country struggled to develop new child care policies and programs, state agency staff became increasingly concerned that federal requirements and expectations might change again, and thus require the state to once again revise its policies.

At the same time, deadlines for expending the new federal funds were tight. Little time was allowed for planning. Concerned that funds would be re-allocated to another state if they were not expended promptly, many state administrators have struggled simultaneously to spend the new child care funds while making the legal and administrative changes necessary to comply with federal requirements.

In the State of Kansas, the lead agency for the Child Care and Development Block Grant, as well as for most other federal child care funds, was assigned to the Department of Social and Rehabilitation Services (SRS). In the course of conducting this study it became clear to us

that SRS has taken this responsibility very seriously and is working to develop an agenda for re-structuring the department's child care division from a management and programmatic perspective. In gathering and analyzing the data necessary to complete this study, we found SRS staff to be responsive, supportive, and open to new ideas.

Still, the climate of change which continues to surround child care policy development and program implementation posed some unique challenges for our inquiry. We were often unclear about whether to review SRS' existing policies and procedures or to consider the revisions which were under consideration. In most cases, we based our analysis on the current policy manual and current practice. Wherever possible, however, we have referenced and discussed proposed revisions. To this end, many of the recommendations included in this report are already being explored, or have been proposed, by the department.

Purpose

This report describes each of the child care funding streams administered by SRS, the policies and procedures which guide the administration of these funds, and the new KsCares child care automation system which will soon be implemented. These policies, procedures, and systems are then analyzed to determine the extent to which they support "seamless" services, i.e., a child care delivery system which offers continuous child care assistance as families move from public assistance to self-sufficiency.

In reviewing the Kansas subsidy system from the perspective of seamless funding, four factors are explored. First, the mechanism used to pay for child care subsidies is examined to ensure that funds are able to follow the child to whatever program is chosen. Second, the rules, regulations, and procedures which govern each of these funding streams are reviewed to ensure that they are consistent and allow families to move from one funding stream to another without disrupting the child care arrangement. Third, the administrative structure is examined to ensure that the documentation required of parents and providers, and the procedures required of caseworkers, support seamless services. Fourth, the fiscal management structure is reviewed, with the goal of establishing a system which has the capacity to encumber or otherwise reserve funds and can easily shift families from one funding stream to another based on the availability of funds and the most advantageous funding mix.

A seamless subsidy system is designed to ensure that families receive the financial support they need to secure stable, consistent child care while they work toward self-sufficiency. However, this factor alone cannot ensure that the family will be able to purchase child care which is accessible or of high quality. To this end, this report also seeks to assess the extent to which families who participate in the SRS subsidy system are indeed able to choose from a range of child care options and select care which they feel is most appropriate for their family.

The Kansas Child Care System

Child Care Funding Streams

There are eight funding streams for child care subsidies which are administered by the Kansas Department of Social and Rehabilitation Services (SRS). Four of these are *entitlement* programs. An entitlement to child care services means that the state is required by law to provide child care assistance if requested by eligible families. State and federal funds for entitlement programs are not capped. A description of these programs is included below; expenditure data and state/federal match requirements for each of the programs is also included in Table I, on page 4.

- Title IV-A Child Care - These funds support child care subsidies for KanWork participants as well as families who are receiving Aid to Families with Dependent Children (AFDC) and are employed or participating in approved education and training programs.[1]

- Title IV-A Child Care Disregard - AFDC recipients who are employed are permitted to disregard up to $200 per month (for children under the age of two) or $175 per month (for children two or over) of earnings when determining eligibility for assistance each month. In order to have the disregard applied, recipients must spend their own money for child care and then provide SRS with an expense receipt. Since AFDC budgets are calculated retrospectively, it typically takes at least two months for the disregard to increase the size of a recipient's monthly benefits. Because the child care disregard has limited usefulness for many families, AFDC recipients who are employed or in job training may choose to apply for a direct child care subsidy under KanWork rather than use the child care disregard in calculating AFDC eligibility.

- Transitional Child Care (TCC) - Families who have recently become ineligible for AFDC because of earned income are entitled to receive up to one year of transitional child care assistance.

- Food Stamp Child Care (MOST) - This funding stream provides child care assistance to families who are not on AFDC but are eligible for food stamps and are participating in the More Opportunities for Self-Sufficiency and Training (MOST) program.

In addition to the entitlement programs, there are four capped funding streams which are typically used to fund child care services for families who are not in receipt of AFDC. In a capped program, eligible families can be denied services when funds budgeted for the

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[1]This entitlement to child care is conditional. When funds are limited SRS can limit child care assistance to those families who are participating in an approved JOBS activity. However, if subsidized child care is not available, the family cannot be required to participate in JOBS.

Table I
Funding Streams for Subsidized Child Care Services

Funding Stream	Fed/ State Share	Federal Funds Available			Expenditures[1]		
		SFY92	SFY93 (est)	SFY94 (est)	SFY92	SFY93 (est)	SFY94 (est)
Title IV-A Child Care	58/42[2]	Entitlement; uncapped funds			5,637,839	10,217,412	12,260,904
IV-A Child Care Disregard	58/42	Entitlement; uncapped funds			N/A	N/A	N/A
Transitional Child Care	58/42	Entitlement; uncapped funds			2,367,082	4,021,785	4,826,142
Food Stamp Child Care	58/42	Entitlement; uncapped funds			479,827	225,628	328,616
At Risk Child Care	58/42	3,070,000	3,071,000	3,071,000	5,129,169	5,340,551	5,340,551
Income Eligible Child Care[3]	100/0	SSBG funds available = 28.2 m for all XX services	SSBG funds available = 27.7 m for all XX services	n/a	5,452,857	5,904,712	5,740,543
Child Care & Development Block Grant Child Care POS Funds[4]	100/0	3,855,075	5,429,826	5,526,450	3,030,809	7,628,390	7,628,390
State Only Child Care	0/100	no federal funds available			23,615	222,255	0

[1] All expenditure data is from SRS and includes administrative costs.

[2] Actual FMAP rate for September 1992 is 58.44 federal/41.56 state.

[3] In 1992, a majority of the revenues in this category were from SSBG ($2.7 m), LIEAP ($1.3) and state general fund ($1.3). In SFY93 and 94, revenues in this category are projected primarily as fees and state general fund, which suggests that SSBG funds are being used for social service expenses other than child care.

[4] CCDBG funds available are based on total CCDBG allocations calculated as follows: 75% of FFY91 in SFY92; 25% of FFY 91 + 75% of FFY92 allocation in SFY93; and 25% of FFY92 75% of estimated FFY93 allocation in SFY94. The CCDBG funds reported in this table *do not include* funds available for quality improvements, and were based on the federal requirement that 75% of the state's CCDBG allocation must be used for subsidies and that no more than 15% of the 75% may be used for administrative costs.

Data on total CCDBG expenditures was provided by SRS, and includes client specific funding as well as funding in the form of grants for the overall improvement of child care. If the federal funds available in columns were to include all CCDBG funds available, these numbers would total $5,140,100 in SFY92, $7,239,816 in SFY93, and $7,368,599 (est) in SFY94.

program are expended. A description of these programs is included below. Expenditure data and state/federal match requirements for each of the programs are also included in Table I on page 4.

- At Risk Child Care (ARCC) - This funding stream provides child care assistance to employed families who would be "at risk" of becoming eligible for AFDC without such assistance. These families must have incomes at or below 185% of the federal poverty level (FPL).

- Social Services Block Grant Child Care (SSBG) - Commonly known as "Title XX" child care, Kansas uses this funding stream for child care services provided to children with special needs, children in protective services, children of employed foster parents, as well as low-income families who are employed or are participating in education or training programs. Families who receive SSBG child care must have incomes at or below 185% of the FPL.

- Child Care and Development Block Grant (CCDBG) - Seventy-five percent of the state's CCDBG funds must be set aside to provide child care assistance to low-income families. These funds are used to provide child care subsidies to families with incomes at or below 185% of the FPL who are employed, in education or training programs. In Kansas priority is given to families who have children with special needs. In addition, this funding stream is used to provide child care assistance *without regard to income* to children who are in need of protective services and foster parents who are employed or in a job training or education program.

- State Only Child Care - This funding stream is used to provide child care assistance to families who are on General Assistance or participating in KanWork but are ineligible for the other funding streams described above. Eligible families must be employed or participating in an education and training program.[2]

Eligible Child Care Providers

Except in special circumstances[3], all of the child care funding streams described above are administered to families via a purchase of service (POS) system in which parents choose their own child care provider. In order to participate in the POS system, however, child care providers must be licensed, registered, or legally exempt from regulation. A description of the

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[2] This funding stream will be eliminated in SFY 94, as General Assistance clients are now eligible for CCDBG or SSBG funds. State funds will remain in the program, but will move to provide the state match for federal funding streams.

[3] In a few cases, SRS area offices have contracted with child care centers to set aside a specific number of slots for KanWork participants.

Table IIa Regulated Providers: Center-Based Care	
Provider Type	**Description**
Child Care Center	A facility in which care and age appropriate educational and developmental activities are provided for more than 3 hours and less than 24 hours per day.
Preschool	A facility which provides learning experiences for children who are between the ages of 30 months and the legal age for kindergarten entrance. Preschool sessions must not exceed 3 hours per session, may not enroll children for more than one session, and may not serve a meal.
Special Purpose Center	A facility which is eligible for the special purpose rates on the SRS Maximum Daily Rate Schedule. These programs provide services targeted to children with special needs.
Child Care Provided in a Public or Private School	This type of child care includes any of the following: a public or private school sponsored program that provides full time child care during the summer for school age children; a school age child care program located in the school building which is not sponsored by the school district and offers child care before and after school or during the summer; or, a program for children who are not of school age and need child care while their parents attend school or work (excluding pre-kindergarten programs).
Summer Camp	A summer program in which school age children are enrolled for more than three hours daily for more than two consecutive weeks.

Table IIb Regulated Providers: Home-Based Care	
Provider Type	**Description**
Licensed Family Child Care Home	One caregiver who provides care for 10 or fewer children (including the provider's own children) under 14 years of age. No more than 6 of these children may be under kindergarten age, and no more than 3 may be under 18 months of age.
Registered Family Child Care Home	One caregiver who provider care for 6 or fewer children (including the provider's own children) under 16 years of age. No more than 3 children may be under 18 months of age.
Licensed Group Child Care Home	A group child care home licensed to care for a maximum of 12 children (including the provider's own children) under 14 years of age. The provider must have an assistant.

Table IIc Non-Regulated Legally Exempt Providers	
Provider Type	**Description**
Child Care Provided in a Public or Private School	A public or private school sponsored program which offers child care before and after school only.
In-Home Child Care: Non-Relative	Care provided in a child's own home during a portion of the 24 hour day by a person who is unrelated by blood or marriage to the child and is not the child's legal guardian.
In-Home Child Care: Relative	Care provided in a child's own home during a portion of the 24 hour day by a relative of the child, other than the child's own parent or guardian, who is not a members of the eligible families' public assistance plan.
Out-Of-Home Child Care: Relative	A relative of the child receiving care, other than the child's own parent or guardian, who regularly provides care for 6 or fewer related children under 16 years of age. Care must be provided in the residence of the caregiver for a period of less than 24 hours a day.
Inconsequential Care	A non-related person who provides child care for not more than 2 children per week for not more than 20 hours per week. Care must be provided in the residence of the caregiver.
Child Care Provided on Federal Property or Reservations	Kansas law requiring child care to be regulated does not apply to federal or tribal property (e.g. miliary bases, job corp centers, reservations.) Providers located on such property must comply with standards imposed by these jurisdictions.
Note: Child Care which is purchased on behalf of a Kansas resident but is located in another state must comply with the regulatory laws, rules, and regulations of the state in which the provider is located.	

various types of legal child care providers available to families is included in Tables IIa, b, and c on pages 6 and 7.

In addition, providers who wish to participate in the POS system must complete an SRS operational plan for purchase of services. Although this purchase of services plan is often referred to as a contract, it is not a commitment of funds and is not tied to a specific number of children. POS agreements are primarily a way of formalizing the relationship between SRS and the provider, ensuring that the provider is willing to follow SRS policies and procedures and accept the SRS reimbursement rate.

POS operational plans are renewed each year. All providers must complete a series of forms which include data on types of services they offer, the daily rate schedule, the ethnic origin of children and staff, the number of SRS eligible families they currently serve, funding sources, current enrollment, and the number of families on their waiting list. POS agreements may also be negotiated with relatives who provide child care services to SRS clients.

Monitoring Visits by KDHE

All child care facilities and homes in the State of Kansas, must comply with state regulatory requirements. The Kansas Department of Health and Environment (KDHE) is responsible for regulating child care providers. KDHE typically contracts with county Health Departments to conduct annual inspections as well as investigations which arise from complaints in facilities and homes. The purpose of these inspections is to ensure compliance with state regulatory requirements. Tables II a, b and c (pages 6 and 7) define the various types of child care providers available in the state and indicate which of these providers are regulated. Table III (page 9) indicates when KDHE and SRS are responsible for conducting monitoring visits to these facilities, and how often these visits are made.

Licensed child care centers and preschools, licensed day care homes, and group day care homes are inspected annually by the local health department or another KDHE designee. Registered family day care homes are not inspected unless a complaint is filed. In addition, criminal history and child abuse registry background checks are completed on all persons ten years of age and older who are living, working or volunteering in the facility or home.

Monitoring Visits by SRS

In addition to the annual licensing inspections conducted by KDHE, staff in the SRS area offices are responsible for conducting site visits to providers who have POS agreements. The purpose of SRS site visits to licensed centers or pre-schools is to "determine the quality of care provided" (section, 3670[B] & [C].) Visits to home-based providers are made for the purpose of explaining SRS payment policies and procedures and determining if the home "is a safe and healthful place for children." In the case of registered family child care homes and licensed exempt homes and facilities, which are not inspected by the local health department, the SRS visit is also for the purpose of verifying that the provider is meeting regulatory requirements.

The policies regarding when monitoring visits are to occur and exactly which providers are to be visited when are somewhat confusing. The Kansas Employment Preparation Manual states that area SRS staff are responsible for making on-site visits to the homes of all initial applicants who are registered home providers or out-of-home relatives and to a 25% sample

of licensed providers who have provider agreements (section 3670 [B] & [C]3).[4] Proposed revisions to the manual indicate that all providers must be visited by SRS when initiating a POS contract, but that annual on-site visits are optional in some cases (see Chart III, below.)

Interviews with area office staff as well as providers who currently have POS agreements indicated that the current practice regarding site visits varies among the area offices. The Topeka area office reported that it conducts an annual on-site evaluation of each licensed center with whom they have a POS agreement. These evaluations are quite extensive,

Table III
Monitoring Visits Required by SRS and KDHE

Type of Facility	Initial Visit	Yearly Renewal
Licensed Child Care Center or Pre-School	On-site visit by KDHE. If has POS contract, on-site visit by SRS.	KDHE on-site visit for license renewal. SRS area option: visit all or selected sample of providers with POS contract.
Legally Exempt Child Care Center	If POS contract, on-site visit by SRS.	If POS contract, on site visit by SRS.
Licensed Family Child Care Home	On-site visit by KDHE. If POS contract, visit by SRS.	KDHE on-site visit for license renewal. SRS area option: visit all or selected sample of providers with POS contracts.
Registered Family Child Care Home	If POS contract, on-site visit by SRS unless local ordinances require health department to visit all registered homes.	If POS contract, on-site visit by SRS unless local ordinances require health department to visit all registered homes.
Out Of Home Relative	If POS contract, on-site visit by SRS.	If POS contract, on-site visit by SRS.
In-Home Care: Relative	No on-site visit	No on-site visit
In-Home Care: Non-Relative	No on-site visit	No on-site visit

involving classroom observations and, in some cases, surveys of parents and teaching staff. The Topeka area office does not, however, conduct such evaluations of licensed or registered family child care homes but rather relies on the local Health Department to conduct site visits

[4]This information, and all future references to the Kansas Employment Preparation Manual, are based on the July 1991 version of the manual, which is currently being revised.

in these cases. Interviews from other area offices indicated that many areas do not choose to visit all licensed providers, and when they do, do not conduct such an extensive evaluation.

Although they are not required to be licensed or registered with KDHE, relatives who provide child care *outside the child's own home* are visited by an SRS staff person. During this visit SRS staff conduct a health and safety check, provide information on child guidance and nutrition, explain SRS policies regarding record keeping and payment, and complete the paperwork for a child abuse registry screening. Again, the 1991 version of the manual does not clearly state when or how frequently this visit is to occur. Proposed revisions to the manual indicate that these homes are to be visited annually.

Operational plans and site visits are not completed in cases where a family elects to use child care which is provided *in the child's own home* (i.e. in-home care.) In-home providers are, however, screened through the child abuse registry.

Reimbursement Rates

SRS reimbursement to child care providers is based on a maximum daily rate schedule which was established through a survey of market rates in the twelve SRS management areas. At the time of this study, rates were capped at the 60th percentile of the area market rate for children under eighteen months of age, and the 55th percentile for children over eighteen months of age.[5] Maximum rates vary according to the hours in care, the age of the child, the type of provider, and whether or not the child has special needs. The only exceptions to this policy are cases where a family selects in-home care or uses the AFDC child care disregard. See page 14 for a more detailed discussion of these situations.

The actual amount paid to a provider varies according to the fees charged to non-subsidized families. Providers will not be reimbursed for costs which exceed the fees they charge to private, fee-paying families. If the provider's private rate is at or below the SRS maximums for their area,[6] the provider will receive SRS reimbursement for the full fee (minus the parent portion of the fee.) If the provider's private rate is above the SRS maximum, reimbursement will be at the SRS maximum (minus the parent portion of the fee.) Providers whose private rates exceed the SRS maximums are not permitted to charge SRS clients the cost difference unless the provider is offering an additional service, such as transportation, overtime or late fees, field trips, diapers for infants and toddlers, or meals which are in addition to those routinely provided to all children in the program.

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[5] A new market rate survey has recently been completed, and we are told by SRS staff that the rate ceilings will soon increase.

[6] Maximum rates have been established for each SRS area, and vary according to the type of care and age of child.

Payment for Absences or Breaks in Service

Payment for child care is based on the number of days and hours of care specified in the family's child care plan and provider payment agreement. In general, this correlates with the days and hours an eligible family is engaged in employment or training. Caseworkers are, however, allowed flexibility in preparing child care plans. The worker may, for example, authorize additional child care to cover the time required for travel to and from the child care provider and employment or training site, as well as child care needed for study purposes. Proposed revisions to the manual will permit caseworkers also to consider the needs of the child in developing a child care plan. This could include authorizing a full day of child care, even if the parents work or educational hours were not full time, if such a schedule would remove the child from a stressful environment or prevent disruption in the child's social and educational environment (section 3321 of revised manual.)

The manual also permits payment for absences and, in some cases, short breaks in employment and training activities. There appears to be confusion about exactly how many absence days are permitted. The manual states that providers may be reimbursed for up to three absence days per month, or a total of thirty days per year (section 3436 [A].) Yet most of the area offices appear to reimburse providers for up to five absence days per month. Proposed revisions to the manual indicate that the current policy is three to five days, and that when the KsCares system is implemented, providers will be reimbursed for the total scheduled hours of care (i.e. the amount of time included in the SRS child care plan) so long as the child is in attendance for at least 75% of the scheduled days, or approximately five days per month.

Section 3436 of the manual states that parents whose children have been in regular attendance and have accumulated unused absence days during the year may use accumulated absence days when the child has an extended illness or the family is on vacation. These additional absence days must, however, be approved by the SRS area office. Examination of the KsCares system suggests, however, that this provision has not been accounted for in the design, so that families are likely to be limited to a single month's worth of absences, regardless of how many days have previously gone unused. System modifications will be necessary in order to allow caseworkers to authorize additional absence days when the KsCares system is implemented.

Child care for KanWork participants who are waiting to enter an approved education or training program may also be paid for up to two weeks in advance, or for a period of up to one month where child care arrangements would otherwise be lost and KanWork activities are scheduled to begin within one month. Families who receive assistance under the other child care funding streams are not allowed this flexibility. Payment for child care begins on the first day care is actually provided. Breaks in service (due to a parents vacation or a break in an educational program, for example) may only be paid for to the extent that they are consistent with absence policies.

Family Fees

The following families are not required to pay a portion of the cost of child care: foster parents, JOBS and MOST participants, families who have children with special needs, and families who are receiving AFDC or protective/preventive services. All other families are assessed a family fee, based upon a sliding fee scale.

SRS currently uses two fee schedules: one for TCC recipients and another for families who participate in all other child care subsidy programs. Fees required of families who participate in TCC are half of those required of all other subsidized families. A copy of the most recent fee schedule is included in Appendix A.

Waiting Lists and Priorities for Service

At the present time SRS has sufficient state and federal funds to serve all clients who apply for child care assistance. As a result, there are currently no waiting lists and little attention has been focused on developing clear policies for the management of waiting lists. It is important to note, however, that SRS has not conducted outreach activities and is still serving only a portion of the eligible population. In addition, the current lack of waiting lists has occurred in the wake of a very large increase in federal funds for child care. As the growth of federal funds begins to wane, and the demand for child care subsidies continues to grow, it is likely that waiting lists will once again be necessary.

When funds are not available for child care subsidies, the Employment Preparation Manual directs local SRS staff to place families on a waiting list. The policies regarding how waiting lists are to be maintained appear to be inconsistent. In one section of the manual (3242 [A]), staff is directed to complete a full eligibility determination on the family, place them on the waiting list, and retain this information for six months. The family is to be notified that if funds do not become available within six months, their name will be removed from the list. Families who want to remain on the waiting list for a period of longer than six months would have to re-apply.

Section 3242 [B] of the manual describes a different procedure for maintaining waiting lists. Here, the manual permits staff to place families on the waiting list if their *projected* family income *indicates that they would be eligible* for a subsidy. Again, if funds do not become available within six months the family will be removed from the list. In this case, full eligibility determination is not done unless and until funds are available.

The Employment Preparation Manual is unclear about whether there is one waiting list for all funding streams, or separate waiting lists for each. Waiting list priority systems are mentioned under two funding streams, and the priorities described are different. Moreover, section 3241 of the manual indicates that families are to receive child care services based on the date

eligibility was determined, but exactly how this requirement is to correlate with a priority system is not specified.

The manual appears to indicate that districts are to maintain two waiting lists: one for Income Eligible funds and one for JOBS funds. Section 3546.2 of the manual includes the following priorities for Income Eligible child care:

Priority #1 - Child protective cases who reside in their own home.

Priority #2 - Respite child care (up to three months) for parents or foster parents who are in crisis.

Priority #3 - Children with special needs.

Priority #4 - Children whose parents are: employed or in an approved education or training program, income eligible for child care assistance, and who receive medical assistance, but are not on public assistance.

Priority #5 - Children whose parents receive Social Security Income under Title XIV.

Priority #6 - Children whose parents are employed or participating in an approved education/training program and whose monthly income does not exceed 150% of the poverty level.

Priority #7 - Children whose parents are employed or participating in an approved education/training program and whose income does not exceed 185% of the poverty level.

Section 3514 (D) of the manual indicates that priorities for child care funded under KanWork are as follows:

Priority #1 - An eligible AFDC employed parent/guardian/caretaker;

Priority #2 - A teenage parent in an approved education/training program;

Priority #3 - A voluntary JOBS participant in a target group;

Priority #4 - A voluntary JOBS participant;

Priority #5 - A mandatory JOBS participant;

Priority #6 - A second parent in an AFDC-UP case.

Method of Payment: In-Home Care and the Child Care Disregard

In most cases, SRS sends reimbursement for its portion of the child care costs directly to the child care provider. Providers are responsible for collecting the family fees from the parent or guardian. There are, however, two exceptions to this policy.

The first exception occurs when care is provided in the child's own home (i.e., in-home care). In this case, the parent or guardian is responsible for paying the provider and submitting attendance records and other required paperwork to SRS for reimbursement each month. We understand, however, that the SRS central office has recently proposed revisions to this policy to establish that in-home providers receive payment directly from SRS. The Employment Preparation Manual states that the in-home provider is considered an employee of the parent or guardian and that both parties are responsible for contacting the IRS regarding their tax responsibilities.

The second exception occurs when the parent or guardian is an employed AFDC recipient who is using the child care disregard funding stream. Regardless of the type of child care used by this family (e.g. center-based, regulated or legally exempt family child care, or in-home care) the parents or guardians are responsible for paying the child care costs themselves, requesting a receipt and submitting this receipt to SRS in order to have the child care disregard applied when calculating their monthly assistance budget.

AFDC budgets are calculated retrospectively. This means that eligibility for public assistance is based on a family's earnings during a one month period which occurred two months prior. In other words, the assistance grant a family receives in March is based on its January earnings. As a result of retrospective budgeting, it effectively takes at least two months for the child care disregard to increase the size of a recipient's monthly benefits.

To help ameliorate the effect of retrospective budgeting, area offices are permitted two optional methods of paying for child care for AFDC recipients: 1) They may elect not to use the child care disregard in calculating eligibility for AFDC and instead pay for the child care directly, using the POS system described earlier; or, 2) they may elect to make direct payments for child care for the first two months of expenses, and then use the disregard method of calculating expenses thereafter.

Data are not available to determine the extent to which area offices use the disregard method of payment, or exercise either of the options described above. Interviews with area office staff seem to indicate, however, that the first option is used in a number of cases. At the present time, none of the offices appears to be using the second option.

Parents or guardians who select in-home care or use the child care disregard may be reimbursed for up to $200 per month for a child two years of age or younger and $175 per month for a child over the age of two. Parents and guardians may select providers who charge more than these ceilings, but they then become responsible for paying any additional costs.

Fiscal Management

In order to simplify administration of child care subsidies and maximize funding flexibility, the SRS fiscal office has merged federal funds available to support child care services into five funding codes. Staff responsible for client intake are not required to identify a particular funding source, they need only identify which of the five eligibility categories best fits their client. The fiscal office takes responsibility for monitoring expenditures and shifting funds among categories as needed. The six funding codes are described below:

#32610 - AFDC recipients who are employed or participating in KanWork. Federal JOBS funds (along with the required state match) are used to support these families.

#32620 - Former AFDC recipients who are entitled to receive Transitional Child Care. Federal TCC funds (along with the required state match) are used to support these families.

#32630 - Food Stamp recipients who are participating in the MOST job training program. Federal Food Stamp Dependent Care funds (along with the required state match) are used to support these families.

#32640 - Income eligible families who are not on AFDC and are participating in education or training programs. Federal funds from CCDBG, SSBG, and the state general fund are used to support these families.

#32650 - Families who are on General Assistance or participating in KanWork but are ineligible for any other funding stream. This code includes 100% state funds.

#32660 - Income eligible families who are not on AFDC and are employed. Federal IV-A "at risk" funds are used as the primary source of funding for these families. When all of the at-risk funds are expended, CCDBG, SSBG, or state only funds are shifted to this funding code.

The Population Served

It was difficult to obtain reliable data on the number of children and families served, and the cost of care, by funding stream. Because the KsCares system is not yet operational, the best data available on the clients served by SRS child care programs are contained in the department's fiscal system, called FARMS. FARMS receives the monthly time sheets, which also serve as invoices, from every provider paid directly by SRS. These time sheets show the children served during the month, the number of hours each child received service on each day, the funding code for each child, the provider's reimbursement rate, the family fee and

the total amount SRS is obligated to pay for each child after the fee has been deducted. In addition, the time sheet includes what SRS calls sub-object codes, which show a classification for each child based on the type of provider being used and the age of the child. A detailed description of each of these sub-object codes is included in Table V on page 18.

SRS staff performed several analyses of FARMS data at our request. Because this is a fiscal system rather than a client tracking system like KsCares, the analysis was performed using check issuance dates, rather than actual service dates. Some of what appears may, therefore, represent payments for different periods, including retroactive payments for prior services. The analysis was done for a single month's data, the month of January 1993, which means that most of the care was probably provided during the month of December 1992. A single month was used because FARMS extract data has not yet been available for an entire year.

Number of Children Served

The checks issued during January covered a total of 7,764 families with 12,415 children receiving child care services for all or part of the month. This means that the average client family receives subsidized child care for 1.6 children.

Only 68% of the children in care were provided child care by a single provider during this period. The remainder appeared on at least two invoices, meaning that they received care from at least two providers, unless one of the invoices represented a retroactive payment. The

Table IV
Number of Children Served, by Funding Category
December, 1992[1]

Child Care Programs	Children
AFDC Child Care (JOBS)	3,592
Transitional Child Care	1,211
Food Stamp Child Care (MOST)	204
Income Eligible Child Care	2,172
State Only Child Care	3
At Risk Child Care	5,385
Totals	12,567

[1]Estimated time period during which care was provided. Since FARMS data is not currently available for the entire year, information on the checks issued during the month of January 1993--which most likely corresponds with care provided in December 1992--was used.

more likely reason for a child showing up on more than one invoice is that the child received care from more than one provider. This could occur simultaneously, if no single provider could supply all of the child care an individual child required, but it could also represent movement from one provider to another. With 32% of the children appearing on more than one invoice, it would seem that there is a great deal of movement within the system, even within the space of a single month. Table IV, on page 16, shows the number of children in each funding category during the month of December, 1992.

The total number of children reported in Table IV is higher than the total number of children served according to the December 1992 FARMS data, which means that some children were served in more than one program. While it is theoretically possible that a child might simultaneously receive child care under two different funding streams, the system is set up in such a way that the most likely explanation for the difference is that children have moved from one stream to another during the month. 1.2% of the population made this type of move during the period covered by this analysis. If that represents a typical month, one would expect that 14% of all children would move from one child care program to another over the course of a year.

Cost of Care

FARMS data indicate that, in 76% of the cases, child care costs were less than $200 per month per child, an amount equal to about $10 per day, assuming 20 child care days in the month and no parent fee. If the amounts under analysis here represent care provided in December 1992, however, the rates may be somewhat higher because there may have been a larger than normal number of children who received care for a smaller number of days, given the holiday season.

Given that many families have more than one child in care, it is to be expected that fewer *families* would receive subsidies under $200 per month than is the case with *children*. Indeed, FARMS data indicates that a smaller percentage of the families received total subsidies less than $200, but the percentage was only slightly lower, about 72%. These data are confusing. Assuming 1.6 children per family, the average family size reported in FARMS, the percentage of families receiving total subsidies of less than $200 per month should be significantly lower.

The SRS subsidy cost per child varies to some degree by the program funding code, which should be expected, given that fees are assessed for some programs and not for others. In all programs between 68% and 80% of the children receive subsidies of less than $200 per month. Children in AFDC Transitional Child Care and MOST Child Day Care are the most likely to receive subsidies higher than that amount. 31% of the children receiving child care under MOST and 32% of the children receiving transitional care received subsidies in excess of $200 per month. Clients in AFDC Child Care (JOBS) received subsidies in excess of $200 in only 23% of the cases, while those in At Risk Child Care obtained the higher subsidies in only 21% of the cases.

At first glance, it may appear strange that children receiving child care through TCC would be more likely to receive higher subsidies than those funded under JOBS, because these are essentially the same children at different stages of their progress through the system. It is even stranger when one considers that fees are charged to TCC families. One possible explanation is that the average number of hours of child care which are authorized for TCC clients is higher, because these clients are all working, while many of the AFDC clients are in training. The latter's child care needs may be less extensive.

Type of Care Used by SRS Clients

SRS classifies children and their providers by sub-object codes, a combined classification by age and provider type. These classifications, along with the number of children reported in each sub-object code during the month of December, 1992, are included in Table V, below.

2.8% of the children identified in Table V were included in more than one of the sub-object codes. In some cases this may be due to the child changing age categories; in some it represents service from two providers for the same time period; and in some cases it represents a change of the child's placement. Without a true child tracking system, however, it is not possible to determine the extent to which each of these factors is important.

Table V
Type of Child Care Used, by Age of Child
December 1992

Sub-Object Code	Age and Provider Type Classifications	Children
1310	Day Care Home-Less Than 18 Months	2,172
1320	Day Care Home-18 Months to Less Than 13 Years	6,050
1330	Child Care Center-Less Than 12 Months	169
1340	Child Care Center-12 Months to Less Than 2 1/2 Years	651
1350	Child Care Center-2 1/2 Years to Less Than 6 Years	2,619
1360	Child Care Center-6 Years to Less Than 13 Years	1,033
1370	In-Home Care	72
	Total	12,766

Across funding codes, children do appear to use different types of care. Table VI, on page 19, shows the percentages of children classified in each funding code who were in family homes and child care centers, respectively. The percentages generally add to more than 100% because some children were subsidized in both types of care for the period under analysis.

Table VI Use of Family and Center-Based Care, by Funding Code December, 1992		
Child Care Funding Classifications	Family Homes	Child Care Centers
AFDC Child Care (JOBS)	65%	38%
Transitional Child Care	71%	31%
Food Stamp Child Care (MOST)	56%	45%
Income Eligible Child Care	60%	42%
State Only Child Care	100%	0%
At Risk Child Care	69%	33%

This analysis of the population raises a number of questions. In order to understand the flow of children and families through the system, SRS needs to explore some of these issues more fully. Once KsCares is operational and has accumulated a sufficient store of data, the answers will come more easily, because children can be tracked through the system, with connections made among the fiscal information, the family's work and eligibility status and the child's provider history. That time is, however, at least a year and a half away. Prior to that, additional analyses need to be undertaken, so that policy makers have the best available information to inform their decisions.

KsCares: The SRS Automated System for Child Care

This part of the discussion is designed to evaluate SRS' child care automation system, KsCares, which is scheduled for implementation later this year. In order to make the evaluation, an examination of the specifications of the system was undertaken. Beyond looking at the plans for the system, however, it is also necessary to examine what automation should do for an agency.

Automation of any human services process should be designed to achieve two goals: to make the work done by staff of the agency more efficient and to produce better information for the planning and administration of programs. There are four basic methods automation systems use to achieve those goals.

1) *Automation of work processes, as opposed to the simple storing of information on computers, will reduce the amount of duplicative effort required in recording information.* On a very simple level this merely involves ensuring that the structure of the databases which are used permit information which has been entered once to be used for all the other forms and processes where it is

relevant. This is, in fact, often the motivation for an automated system. When policies and accountability structures have become sufficiently complex, workers are often overwhelmed with the amount of paper which must be processed. Because much of the information is the same which has to be reported to various sources for various reasons, automation makes it possible to produce the same number of reports with far less effort.

2) *Reduction of duplication occurs on a broader, agency-wide basis through the inter-relationships which automated systems can create with one another.* Computer systems which reflect a "management information system" or MIS orientation have only recently begun to be built in ways that permit cross-walking information from one system to another. Systems built with the goal of automating the staff's work processes do that as an essential feature of their structure. It is not merely that a single worker should have to enter a client's name only once; any other worker who needs that client name for any other reason should not have to enter it at all.

   Relating various systems to one another is a method not only of improving efficiency, however; it is also a method for improving the information which can be derived from the systems. An automated child care system could calculate the child care costs of transitioning clients from public assistance to complete self-sufficiency, but an automated child care system which is connected to an automated public assistance system can calculate the net savings which accrue from that process, after child care costs have been factored in.

3) Eligibility processes, which comprise much of the work child care staff must perform, generally contain related items of information, some of which are derived from others. *A fully automated system will itself generate these derivative pieces of data.* That improves both efficiency and information. On the efficiency side, the worker is relieved of some of the recording which is unnecessary. On the information side fewer errors are likely to be made and the resulting information becomes more accurate.

4) *The most fundamental outcome of a fully automated system is that all of the information which is recorded on a case is available for analysis.* Anything which is recorded solely in a paper record is essentially inaccessible for analyses which require calculations on an agency-wide basis. By transforming the written record into an automated record, complete automation allows any question to be answered for which the agency collects the data in its normal work processes.

While these are the fundamental features of an automated system, there are additional features which can be added for enhanced performance. For instance, with appropriate edits in the system, the agency can gain greater control over policy implementation. It becomes impossible to complete a transaction which violates policy, because all of the forms needed to set the action into motion are produced by the system, which will permit the action only in certain cases. The corollary to this feature is that policy changes become much simpler to implement. Changes in the system's edits effectively change policy.

Within a discussion of child care systems and seamless funding, there is an additional consideration. With eight different funding streams for child care, there are often options an agency has regarding the particular stream to be used for a given child or family. Those decisions can theoretically be made by hand calculations, but an automated mechanism for making the decisions allows the agency to structure its funding in such a way that it always obtains the maximum federal reimbursement possible, without exceeding any of the reimbursement caps. As will be discussed below, these systems can go even further and ensure that intake policies coincide with the funds which will be available in the future.

By looking at all of the screens which the system will include, the reports which are to be generated and the batch processes to be performed, it is possible to determine what information the system will include and what processes it will require of workers. Those features will be evaluated against the two goals set out above, namely, efficiency and improved information. The major part of the discussion, however, will focus on the information goal, because that has the clearest connection to both issues of general program administration and of seamless funding.

Efficiency

The improvements in efficiency which KsCares makes are clear. Staff required to arrange child care for clients in JOBS and MOST will receive automatic referrals from KAECSES, the state's public assistance management information system. Information on potential providers is obtained through regular data transmissions from KDHE, which provide listings of the licensed and registered child care providers across the state and which are further processed to tell the worker whether the provider has a contract with SRS. Connections to the FARMS fiscal system enable workers to find basic information on contracted providers without even needing to know the provider identification number. The appropriate number of copies of forms, such as the child care plan, are automatically generated so that all parties receive them in a timely fashion and with minimal effort on the part of the caseworker. When nothing changes in the rate to be paid for a client, payment is automatically authorized for the period of the service authorization after the caseworker has authorized the first month's payment.

The system is even user-friendly in other ways. While it still makes use of codes rather than English, most of the codes seem to be maintained in tables which the caseworker can reference and use directly, rather than having to remember them or type them in. It also

provides the caseworker with direction for the work process, automatically taking him/her to the next appropriate screen, and allowing flexible movement among screens for reference and updating purposes.

The one area in which it would appear that efficiency might be improved involves the requirement for caseworkers to enter data which exist either somewhere in KsCares or in a related system. For instance, one screen requires that the caseworker enter the date the client became ineligible for AFDC, a piece of information which is included in KAECSES and which should theoretically be available from that source. There are a number of such items throughout the system, suggesting that some basic decision has been made which limits the ability of KsCares to provide this type of information. It most likely has to do with the size requirements of the system and the resulting implications for hardware. If so, it may be that it is in fact cheaper for the agency to construct the system in this way, at least at the present time. For future modifications, possibilities for this type of increased efficiency should be considered.

Improved Information

Improvements in the information automation systems create can be measured in several ways. Those which are important for the purposes of this report have to do with information which is necessary for general administration of the child care programs operated by SRS and information which is necessary for making the child care system more seamless. The latter will be considered in a later section.

Looking only at the reports which are already planned for the KsCares system, there is already an increase in the amount of information which will be provided to administrators. While a number of the reports to be generated represent simple listings of cases in various categories, sometimes for the purpose of creating lists of cases to be referred for child care services, most provide aggregate views of the population. Most importantly, several of these reports begin to combine clients and expenditures, two categories of information which have traditionally been available only in separate systems. One report, for instance, (EP-F300) shows the total number of children, the total number of families and the total expenditures for child care for those receiving child care through an AFDC program (not including the disregard), including transitional care, broken down by the type of care provided. Families are further broken down by the type of AFDC status, although children are not shown in this manner. In this one report, administrators are able to determine, for this limited population, the comparative average costs for serving families on AFDC and for serving families in transitional care, and even the comparative costs of transitional care, depending on whether the family came from regular AFDC status or from AFDC-UP status. In determining priorities for child care services when funds become scarcer, this is precisely the type of information which administrators need.

Even more to the point, one report (EP-M310) provides an estimate of the savings to be achieved in moving families off of cash assistance, after all the transitional service costs have

been included in the calculations. Up to this point, this type of information could only be garnered by mixing results from a variety of different systems, including the payment system, the services client system and the public assistance system. The problem with doing that has been that the systems are all constructed in different ways, so the data are not always comparable and almost never report about exactly the same clients.

If there is one criticism to be made about the reports planned for KsCares, it is that the majority of them analyze only a limited population. There is, for instance, no equivalent report to the one noted above which breaks out children, families and expenditures for child care for that population which is not receiving child care through AFDC. From the currently planned reports, therefore, one cannot determine how many income eligible children are receiving in-home care, whether the number of children per family receiving child care is higher or lower for those served by relatives or whether the costs per family for income eligible clients are greater or less than the costs per family for serving transitional clients.

What seems to be missing is a view of the available child care funding streams as a complete system, rather than a collection of disparate funding streams. Part of this comes undoubtedly from the new ability to relate information across systems in ways that were not previously possible, so that a great deal more attention has been paid to deriving as much information as possible from that capacity. That also explains why such a large percentage of the reports deal exclusively with JOBS and MOST clients, rather than with income eligible clients, for whom the number of system interfaces is necessarily lower. Nevertheless, the paucity of reports covering the whole child care population makes the large view more difficult to obtain.

Any time a system is still under development, it is easy to critique the planned reporting. The first priority is always to ensure that staff get the information they need to complete the daily operations of the program, and broader thinking about the more abstract data to be derived from the system comes later. In order to determine how much SRS' capacity to produce information will be increased, it is, therefore, necessary to examine the data available in the system which could be reported. Here, the picture is much more complete.

Because KsCares represents a historical database, SRS will no longer be limited to showing how many children currently receive child care. Instead, it will be possible to extract information on the total number of children who have received care over some defined time period, how much that child care has cost in total and how many of those children have moved from one eligibility to another. To the extent that the agency is genuinely interested in creating a seamless system, it will be important to determine at what points, if any, the seamlessness breaks down. It may be, for instance, that clients move easily from AFDC to transitional care, but that few then move on to income eligible child care. Alternatively, SRS may find that clients rarely move from MOST to any other child care program. If the points at which the transitions from one eligibility to another can be identified, the reasons can also be explored. If the reasons have to do with client need, e.g., the age of the children involved,

no changes in program rules may be needed. On the other hand, if the fee schedule or the type of care available presents the barrier, policy changes can be made which address the issue.

In sum, the introduction of KsCares will represent a major improvement in the ability of SRS to manage its child care services and to coordinate those services with its assistance programs. Information which can now only be estimated can be know with certainty. Perhaps most importantly of all, the improvements in information can be achieved while improving the efficiency of work processes and making the caseworkers' jobs easier.

Seamless Funding Issues

The Theory of Seamless Funding

Ensuring that the child care services provided by the Kansas Department of Social and Rehabilitative Services are focused on the needs of families has been a strong priority of the agency. To this end, the SRS child care subsidy system seeks to provide "seamless" services. A seamless child care delivery system is designed to ensure that families receive continuous child care assistance even as their eligibility for various subsidy programs changes. Thus, a family who first receives a child care subsidy in order to participate in the KanWork program will continue to receive child care assistance when they "graduate" from KanWork and enter the work force, and until such time as they no longer need child care or their income has risen to more than 185% of poverty.

Developing a truly seamless child care delivery system is difficult. Four elements are key to the establishment of an effective system:

1) a payment mechanism which allows funds to follow the child to whatever program is chosen;

2) consistency in the rules, regulations, and procedures which govern the various funding streams;

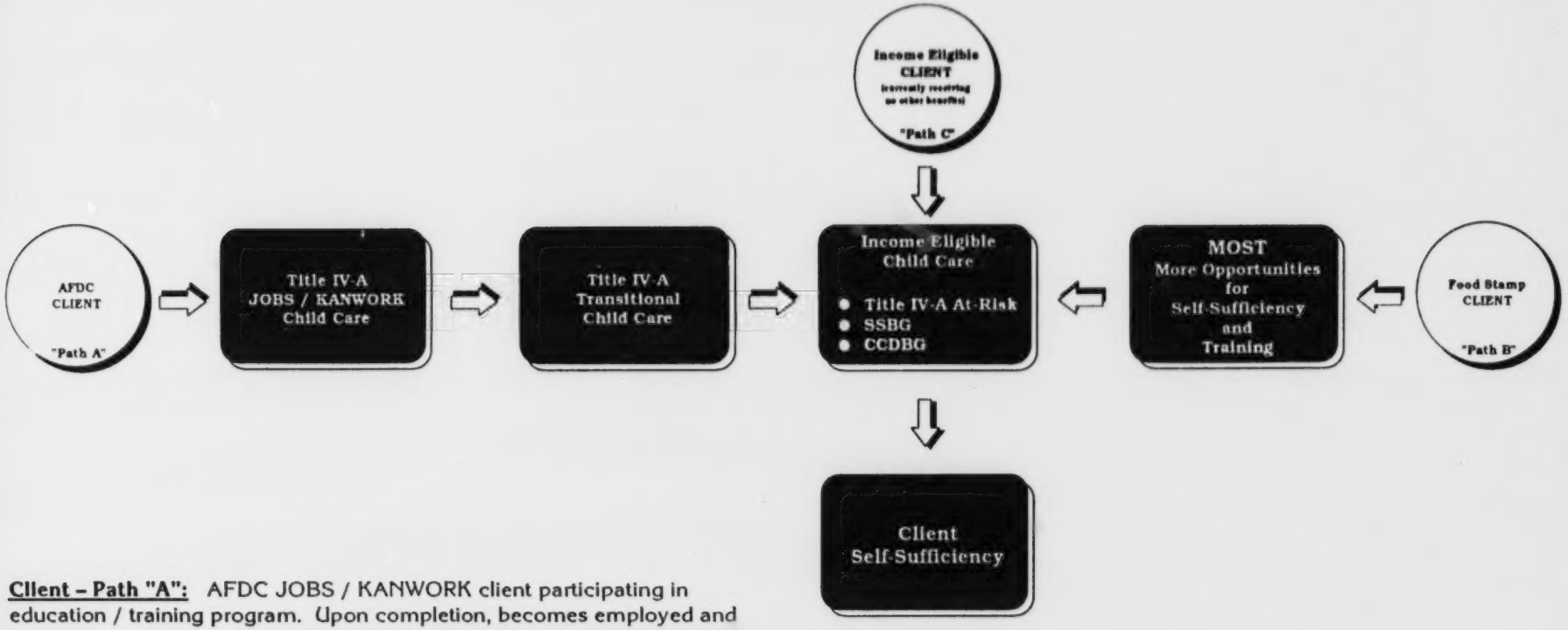
3) an administrative structure which supports continuity; and

4) a fiscal management structure which has the capacity to encumber or otherwise reserve funds and can easily shift families from one funding stream to another based on the availability of funds and the most advantageous funding mix.

Seamless Funding in Practice

The following discussion will explore the extent to which the Kansas child care subsidy system supports seamless funding and provides parents with a range of child care options from which to choose. Each of the four factors described above will be examined.

Child Care Assistance Programs
"Seamless" Service Delivery System



Client – Path "A": AFDC JOBS / KANWORK client participating in education / training program. Upon completion, becomes employed and ineligible for AFDC and eligible for Transitional Child Care services for 12 months. At the end of 12 months, client becomes an income eligible child care recipient.

Client – Path "B": A client participating in the Food Stamp education and training program MOST (More Opportunities for Self Sufficiency & Training). Upon completion, client becomes an income eligible child care recipient.

Client – Path "C": Parent in school or working with no other type of state assistance. Family income is below 185% of poverty level and client is determined income eligible for child care assistance.

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Once a client is determined eligible for child care, assistance will continue as long as the client remains eligible for any of the child care assistance programs. Child care arrangements remain consistent for the child, and client fees increase in proportion to income until they become self-sufficient.

Payment Mechanism: The POS System

Kansas' present child care delivery system appears to meet the first criteria of seamless funding. The Purchase of Service (POS) system currently employed by SRS allows funds to follow the child to whatever child care provider is chosen. This system also meets the guidelines for the child care certificate (voucher) program required by the federal government as part of the Child Care and Development Block Grant.

With the exception of a handful of child care centers who receive contracts to serve specific populations, the POS system is currently used in all child care funding streams except the IV-A Child Care Disregard. SRS has recognized the difficulties posed by the child care disregard, and has allowed AFDC recipients who are employed or in job training to have their child care paid for directly under the POS system. This is an important step.

It is equally important, however, that SRS take steps to ensure that caseworkers who serve employed public assistance recipients have the information and supervision they need to fully inform their clients of the availability of child care subsidies, and, if necessary, to assist them in applying for child care assistance through the POS system. This is particularly true in the case of Transitional Child Care, where the client must request and complete an application in order to receive this entitlement. Without targeted case management it is likely that clients using the disregard will not receive the child care services they need in order to remain employed when they leave the welfare rolls.

Recommendation: **Efforts should be taken to ensure that all eligible AFDC recipients are aware of and able to access the POS system. SRS should also begin to track the number of families who continue to use the child care disregard, and to ensure that the caseworkers who serve these families have the information they need to inform their clients about the availability of Transitional Child Care and the other child care subsidies available to employed, low-income families.**

Consistency in Rules, Regulations, and Procedures

In most cases, SRS has successfully achieved the second element of a seamless system: consistency in the rules, regulations, and procedures which govern the administration of child care funds in each of the funding streams. The payment mechanisms, reimbursement rates and policies, and types of eligible providers described above generally apply to the SRS subsidy system as a whole and are not linked to a specific funding stream or program. This means that families are able, at least in theory, to move from one funding stream to another without a break in service or change of provider. However, our research identified a few inconsistencies in this area which may pose barriers to seamless funding. These are discussed below.

In-Home Care

In conducting interviews for this report, the lack of clarity regarding the use of in-home child care was a commonly cited barrier to seamless funding. The Employment Preparation Manual includes conflicting directives regarding the use of in-home care. In section 3440 of the manual, it appears that the use of in-home care is limited to families who are eligible for AFDC, KanWork, or TCC. Yet references to section 3518 of the manual indicate that in-home care can be used in all funding streams. In addition, staff in the SRS area offices indicated that they have not received any directives regarding the procedures and paperwork necessary to process payment for in-home care for income eligible clients.

According to verbal information received from the SRS central office, families who receive child care assistance from any funding stream are permitted to choose in-home child care. However, central office staff concurred that this was true only in theory, since they had not yet developed the procedures necessary to approve such payment for income eligible clients.

Staff in the SRS area offices cited several cases where the lack of clarity regarding the use of in-home care made it difficult to continue child care assistance. KanWork clients who were currently using in-home care and who needed continued child care assistance in order to remain employed after they "graduated" from KanWork could only receive such assistance if they were able to locate a regulated provider with a POS contract who had an available slot.

The lack of consistency in the use of in-home care poses problems for many current and former public assistance recipients who have been permitted to select in-home care under IV-A related child care funding streams and now find that this choice is not available to them in the income eligible funding streams. There are a number of cases where in-home care is the only type of care available to a family. Low-income communities which have a very limited supply of child care, or families who need evening or weekend care are good examples. In other instances, in-home care may be the most appropriate form of care. Families with several preschool age children, one of whom may be an infant, is a typical example.

Recommendation: **The SRS central office should develop clear and consistent policies and procedures for processing payment to in-home providers and ensure that staff in the area offices are aware of and able to follow these procedures.**

Teen Parents

Several of the providers and caseworkers we interviewed also raised concerns about the way in which a family is defined for purposes of determining eligibility for child care subsidies. These concerns focused primarily on teen parents, who are often ineligible for subsidized child care due to income earned by members of their extended family.

In many cases, a teen parent who is in school or employed still lives at home or resides with a grandmother or other family member. Although these family members are seeking to help the teen by providing room and board, they are often not able to provide child care or to assist in paying fees to a child care center or family child care home.

SRS is currently making start-up funds available to public schools and community-based organizations which seek to establish child care programs for teen parents. Although these programs are needed, they may have difficulty remaining open if the teens they serve are unable to pay the full parent fee and are ineligible for SRS subsidies. We understand that SRS is currently considering a proposal to revise the definition of family so that teen parents will be eligible for subsidized child care. We support this approach.

Recommendation: **SRS should amend the Employment Preparation Manual to establish that, in the case of teen parents, family income is defined as the income of the teen parent and his or her child(ren), and should not include income of other relatives who may or may not be sharing residence with the parent and child.**

Family Fees

Inconsistencies were also found in the family fee schedule. As mentioned earlier, two fee schedules are employed, one for TCC recipients and another for all other low-income families. Family fees for TCC recipients are half those charged other parents, *even when all circumstances are equal.* In other words, a family of three with an income at the poverty level (currently $964 per month) would be charged a family fee of $10 if they were receiving TCC and $19 if they were receiving child care subsidies from any other funding stream.

Our interviews revealed that the separate sliding fee scale for TCC was developed in order to make it easier for families to transition from welfare to work. While this may be true, it is important to remember that families are only entitled to TCC for one year, at which time they must transfer to another funding source in order to maintain child care subsidies. Under the current policy their child care fees will double when they shift from TCC to another child care funding stream, even if their income and family size remain the same.

Recommendation: **A more equitable policy would be to create a single sliding fee scale, which allows for lower fees at the bottom end of the scale. In this way, all families who are at poverty would pay the lowest possible fees, with the family fee increasing gradually as income increases.**

Several proposals for revising the family fee schedule have been included in Appendix A.

Reimbursement Rates and Methods of Payment

The policies and procedures which govern SRS reimbursement rates are consistent across all funding streams, with the exception of families who use the IV-A Child Care Disregard and families who elect to use in-home child care. In both of these cases, reimbursement is capped at $200 per month (per child) for a child two years of age or younger, and $175 per month (per child) for a child over the age of two.

In the case of the Child Care Disregard, we assume that these reimbursement ceilings were originally established to correlate with federal regulations which set these ceilings for the purposes of federal reimbursement. However, these regulations were revised several years ago when the Family Support Act was enacted. States are now permitted to supplement the disregard, so long as reimbursement for child care costs does not exceed local market rates.

Because the POS system provides a stable and consistent child care subsidy, and because this payment mechanism makes it easier for the state to ensure that families receive continuous child care assistance as families move from public assistance to employment, we believe that clients should be encouraged to use the available POS resources.

Allowing public assistance recipients to access the POS system makes the payment methodology for child care services consistent across all funding streams except in the case where a family elects to use in-home care. Establishing an equitable and effective payment mechanism for this type of care is, however, extremely difficult.

As has been stated previously, requiring low-income parents to advance their own funds for child care and wait for reimbursement often makes it difficult for these families to secure child care which is reliable and of high quality. Indeed, this point argues strongly for a simple payment mechanism, and preferably one in which the state pays the provider directly. On the other hand, federal and state employment and tax laws further complicate the matter, and raise questions about the viability of direct payment by the state.

Parents or guardians who retain in-home caregivers are, in most cases, considered to be the caregiver's employer and are therefore responsible for complying with federal and state minimum wage laws as well as paying the employer share of Social Security and Medicare (FICA). In addition, they are responsible for withholding, and filing with the Internal Revenue Service, the employee share of FICA if they employ an in-home caregiver who is not their spouse or child. Federal Unemployment Insurance (UI) must also be withheld unless the caregiver is a spouse, child, or grandparent who is providing care in the home as an employee. All of these laws typically apply to in-home caregivers who are employed on an other than casual basis and earn at least $50 per quarter or work at least 8 hours per week.[7]

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[7]Tax Liability for In-Home Caregivers, a fact sheet from the Child Care Law Center, San Francisco, CA, March 23, 1993.

The federal and state employment and tax laws described above raise additional concerns regarding the rate ceiling established for in-home care as well as the need to provide additional information and assistance to families who select this form of care. Is the current $175/$200 per month per child rate ceiling high enough to cover the cost of paying the caregiver as well as the required employer benefits? Are parents or guardians who elect this form of care fully informed of their legal obligations as employers?

The intent of this discussion is not to pose additional barriers to the use of in-home care. For many low-income families this may be the most appropriate--or the only--form of care available. To this end, it is important to take steps to ensure that families are able to elect in-home care under any child care funding stream. At the same time, however, it is important that state policies are clear, consistent, and comply with all applicable laws and regulations.

Recommendation: **Whenever possible, the POS system should be used to subsidize directly the child care costs of all public assistance recipients. If, however, a family elects to use the child care disregard method of payment, we recommend that SRS amend its current policies to supplement the disregard and allow reimbursement up to the area market rates.**

Recommendation: **SRS should allow parents or guardians who elect to use in-home care to receive their child care payments in advance, rather than as a cash reimbursement.**

Recommendation: **SRS should take steps to ensure that parents or guardians who elect to use in-home care are fully informed of their legal responsibilities as employers, and are provided with technical assistance in meeting these responsibilities.**

Recommendation: **SRS should review the current rate ceiling for in-home care to determine if it is sufficient to cover the cost of paying both the caregiver and any required employer benefits.**

Administrative Structure Which Supports Continuity

Establishing an administrative structure which supports continuity is the third, key criteria for a seamless subsidy system. This typically means that intake is centralized or that the various workers who are responsible for authorizing child care subsidies work together as a team. In some cases, however, seamless systems can be achieved by computer linkages and appointing key people to serve as liaisons between offices.

Re-application and Organizational Structure

Although the overall consistency in SRS rules and regulations should make it relatively easy to ensure seamless funding, the procedures required of clients and caseworkers may not encourage continuity. Indeed, a number of SRS offices have developed staffing patterns which cluster child care staff together and have been successful in promoting teamwork among the staff who are responsible for intake and authorization of the various child care subsidy programs. Placing all staff in the same organizational unit does not, however, guarantee seamless movement among child care programs if clients are required to make a re-application or to change workers when they move from one program to another.

At one level such changes may be unavoidable. Federal requirements for TCC require a re-application by the client, and the special connections created between child care and public assistance through the JOBS program make specialization of child care caseworkers an efficient method of operation. Thus, while the SRS central office informed us that re-application for services is not required in many cases, it appears that in at least some area offices clients are still required to re-apply for services when they move from one funding stream to another. This process is not only cumbersome and may increase administrative costs, it creates a series of bureaucratic "cracks in the system" through which families can fall.

There are a number of potential reasons why clients can fail to smoothly move along the seamless funding path. Failure to re-apply for services, and to do so in a timely enough fashion to ensure continuous services, is a common one. Given the fact that clients may also have to switch caseworkers and/or SRS work units in order to receive continuous services, the problems posed by a re-application process loom even larger.

In a system where child care caseworkers are specialized, i.e., a worker is responsible for only a limited number of child care funding streams, re-application serves as a mechanism for the agency to alert the client family's new caseworker that services are needed. It is, however, not the only possible mechanism. A less cumbersome method would involve simply amending the child care plan, which will need to be done in most cases, anyway, because the family fee is likely to change. In this case, a worker would be responsible for a group of families, regardless of the funding stream used to pay for their child care.

One objection which could be raised to this alternative is that the changes in family income which generate the changes in funding stream and fee level represent information which is collected only in the application process. That need not, however, be the case. Especially after the implementation of KsCares, it should be possible to note a change in the family's income (or size), and even in just one category of income, without invoking the entire application process. Should the income be sufficiently high, KsCares would simply notify the worker that the client was no longer eligible for any funding stream. When this negative finding was made, an application process could be started in order to determine whether other factors had also changed which would re-instate eligibility.

The issue here revolves around the question of whether the system is biased towards making the client eligible or ineligible. In a seamless system the bias is towards eligibility. Requiring a re-application only when it appears that the client has become ineligible for all programs creates a bias towards making the client eligible. On the contrary, requiring a re-application for cases in which the client has become ineligible for one program but is likely to be eligible for another biases the system towards ineligibility. To the extent that the specialization of caseworkers motivates which process is used, organizational structure can either assist or impede the effort to create a seamless system.

Recommendation: SRS should make re-application for services a requirement only in those cases where it is required by federal rules, and the process should be made as simple as possible.

Fiscal Structure Which Supports Seamless Funding

Developing a fiscal management structure which has the capacity to shift families easily from one funding stream to another based on the availability of funds and the most advantageous funding mix is an essential component in a seamless subsidy system. Given the constraints posed by limited automation and conflicting federal regulations, SRS has done an impressive job of managing funds so that families are able to receive continuous services.

The approach taken by the SRS fiscal office might best be described as a "state block grant" approach. Although the federal government has not awarded child care funds to the states in the form of a true block grant, they have allowed states a wide degree of flexibility in the expenditure of some funding streams, and very little in others. SRS has developed a system which merges those funding streams in which they have the most flexibility into one funding code, which is then used to fund families who do not meet the eligibility criteria in the more rigid categories, as well as to supplement funds when overexpenditures occur in any of the codes.

To date, this system has worked quite well. The major funding streams which have been merged are SSBG and CCDBG. Clients funded under either of these sources of subsidy are coded as "income eligible." Two clients with the same code may be funded in different ways, depending on how much has been spent in each of the sources at the time the claim is submitted. Thus, an income eligible family who applies at the beginning of the year may be paid for with CCDBG funds, but if those funds have been fully spent towards the end of the year, an income eligible family applying at that point may be subsidized under the SSBG.

Although SRS has not combined ARCC funds into the income eligible funding code, the fiscal office has recognized that clients eligible under ARCC are also eligible under CCDBG

and SSBG, and vice versa.[8] Funds coded under the income eligible classification have apparently been claimed from the federal government under ARCC, when the fiscal office found it beneficial.

It is important to note, however, that SRS' success in merging funding streams has been achieved in a climate of steadily increasing federal funds and with almost no publicity or outreach on the part of SRS area offices. As federal funds begin to level off, and the demand for services continues to rise, it will become necessary to more carefully monitor intake and project when and what code(s) are likely to run short.

Despite efforts to make funding codes as flexible as possible, the existing system is still difficult to administer. Several of the area office staff we interviewed raised concerns about the difficulty of authorizing child care for a family which is eligible for funds from more than one funding source. A client who participates in the MOST training program and also works part time is a good example. In order to provide child care subsidies for the full day (including time spent in the training program and at work) the intake worker must prepare two child care plans: one for funds charged to the MOST program (code #32630) and another for funds charged to the income eligible employed program (Code 32640).[9]

Proposed revisions to the Employment Preparation Manual indicate that in cases where clients are eligible for child care for both employment and training purposes, staff will be permitted to establish one plan and charge it to the income eligible education and training funding code (#32640). Although this approach simplifies administration for staff, it could result in a loss of federal funds, since the food stamp dependent care program is an uncapped entitlement and funds available under the income eligible education and training category are capped.

Using KsCares to Support Seamless Funding

Maximizing Federal Funding

With the implementation of KsCares later this year, SRS has an opportunity both to make its federal claiming procedures more efficient and to ensure that maximum federal reimbursement is always obtained. SRS' present system for claiming is beneficial because the caseworker not only need not but can not lock the agency into a single funding stream when the client is income eligible and qualifies for more than one funding source. The claiming decision is left to the fiscal experts. With an automated system, however, there is no need for any individual

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[8]The only exceptions to this would be children in protective/preventive services and children in foster care, who, even if financially eligible, are probably not receiving child care due to the education, training or employment of their parents.

[9]It is also possible that the client is eligible for TCC (if they were on AFDC for three of the last six months) and thus could be charged against funding code #32620.

staff person to make the determination of the most advantageous funding stream for a particular child and/or family.

What is being suggested here is not substantively different than what SRS now does. It is, however, procedurally different and that difference can have an impact on the agency's ability to provide child care subsidies to the maximum number of people who need it. There are several steps to the process.

1) *Because clients can be eligible for more than one funding stream, a prioritized list of funding streams needs to be created.* At the top of the list are programs with the highest reimbursement rate. Programs which are uncapped are at the lowest end. This would mean, for instance, that CCDBG would receive a higher priority than At Risk Child Care, because its reimbursement rate is higher, and that Transitional Child Care would be lower on the priority list than either of these, because it is uncapped.

2) *Sufficient information is already contained in the KsCares system to permit the computer to determine which funding stream should pay for the costs of child care for any given child. The computer should make that determination.* Neither the caseworker nor the fiscal office should have to make that determination. Using the client's eligibility factors and the list of priorities above, the computer should generate a code. Because the computer is handling the calculations, the coding structure can be sufficiently complex to incorporate every conceivable combination of funding eligibilities.

3) *In order to make that process work as efficiently as possible, part of the connection between FARMS and KsCares should include transmission by FARMS of data indicating the amount of money already spent in each funding source, as well as the overall limit for the relevant fiscal year.* With that information, the computer can effectively close a funding stream which is high on the priority list, taking new clients to the next one.

4) *In the event that one of the new clients is eligible only for a closed funding stream, clients already coded for reimbursement from that source can be moved, i.e., the computer can retroactively change the funding code to a less favorable reimbursement level in order to make room for the new client.* Neither the caseworker nor the client (nor indeed the fiscal office) even need to be aware that any change has occurred.

The net result of this procedure should be that capped funding streams with high reimbursement rates should always be fully used, while those with lesser reimbursement rates should be the first candidates for under-spending. As noted, this is essentially the process used by the SRS fiscal office at the present time, but the current process is carried out on an

aggregate basis, not on a client specific basis. The result is that it is not possible to determine precisely how many children are served in each federal reimbursement program, much less to determine whether there are differences in the types of care or the costs of care which are used in each stream. By tying the actual funding stream to individual clients, information is gained on the connections between clients and expenditures, better planning can occur when federal rules change, and the maximum reimbursement level is guaranteed.[10]

Recommendation: SRS should make its accounting codes coincide with actual funding streams, permitting KsCares to assign funding streams to individual clients and maximize federal reimbursement.

Creating a Computerized Seamless System

Under current circumstances, Kansas can operate its child care programs without modifying its processes to assign funding streams to individual clients. These circumstances are, however, likely to change for at least two reasons. First, as has been emphasized repeatedly in this report, funding for child care is unlikely to remain as plentiful in relation to the demand as it is now. In fact, we understand that during the time this study was being conducted, the state cut child care funds by approximately $1.5 million. It is in times of scarcity that maximizing reimbursement and planning for future contingencies become acute issues. Second, and equally importantly, development of a fully seamless system of child care will place additional requirements on the federal claiming process, even to the point that it may become difficult to continue the current fiscal management process at all. Understanding the implications a seamless system will have for the agency requires understanding the ways in which the SRS child care program currently is and is not seamless.

The four criteria listed at the beginning of this discussion of seamless funding, namely, an appropriate payment mechanism, consistency in the rules and procedures, an administrative structure which supports continuity and an appropriate fiscal management structure, represent only the features of a seamless funding system which makes it *possible* for a client to move from one eligibility category to another without noticing the difference. One additional feature must be added if the system is to guarantee that a client needing additional child care services actually has access to them: *funding must actually be available for the client.*

If every funding stream is treated as a separate entity, a given stream may be fully committed before a client transitioning through the system needs the funds from that source. A client receiving transitional child care, for instance, will move to one of the income eligible streams.

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[10] Particularly as funds for child care become more limited, it may be in SRS' interest to begin using Title IV-E funds for child care provided to foster children. From what we have been able to gather, this is not done now, but doing so would free up funds in the capped programs, and child care is clearly an allowable expense under IV-E.

But if the money from that stream is already committed, the transitional client may have to be put on a waiting list, even though he/she has a placement already available. The seamlessness of the system stops at that point.

There are two basic mechanisms for ensuring that continuous child care funds are available. In the first approach, money which will be needed in the future for a particular client may be encumbered for that client. This, however, may unnecessarily reduce the availability of services to clients not yet receiving subsidies under any funding stream. The second approach avoids that result at the cost of greater complexity by reserving funds based on the number of clients expected to transition into a different eligibility stream within a given time period.

Perhaps both mechanisms are best explained by comparing them to one of the reports which KsCares will produce. The Child Care Actual and Projected Expenditures Report (EP-M800) provides an estimate of the expenditures to which the agency has already committed itself. The actual costs already incurred during the current fiscal year are broken down by the SRS eligibility categories. Then, additional costs are projected for each of those categories by calculating the costs those same clients are likely to incur during the fiscal year, based on their current child care plans. Projection stops, however, at the end of the current plan or on May 31 (i.e., no projection is made for the final month of the fiscal year), whichever comes first. This differs substantially from traditional projection techniques would simply calculate the total spent during the year, divide by the number of months which have passed and multiply by twelve to estimate what the total spending for the year will be. That includes the cost of new cases which are likely to enter the system, a factor which is clearly left out of the SRS methodology.

The SRS methodology is aimed at accomplishing something different. The obvious utility of the SRS projection is to ensure that all current clients will have access to care during the entire term of their current plan. By connecting the projection only to clients who are currently in the system and estimating what those clients will cost, the agency is presumably deciding to what extent it can open eligibility to new families, based on current commitments it has already made. This is the beginning of a seamless system.

It falls short of a fully seamless system by not allowing the projection to cross the line created by the end date of the child care plan. When the SRS projection for transitional clients is made, for instance, it is known how many of those clients are in their first six months of eligibility for transitional care. Those clients are guaranteed an additional six months, yet that guarantee is not counted in the projection, even if the projection occurs during the first half of the fiscal year. Just as clearly, when it is expected that a client will need to move from AFDC to transitional care or from transitional to income eligible care, there is no account taken of the additional costs that is likely to generate. If SRS's proposed projection methodology using KsCares represents a commitment to maintain subsidies for a family through the end of the current child care plan, that same commitment is not made to clients for the next plan, even when eligibility is guaranteed.

Encumbering Funds

The first method of making the longer term commitment involves encumbering the funds which will be necessary to pay for the next eligibility period's child care. Taken strictly, what it would imply is that when a client is found eligible for any subsidy, not only are funds encumbered for the coming six months but also for the six months thereafter. (Other periods of time could also be used, but each extension makes it more likely the client will simply not need the care at that point.) Thus, an AFDC client who is in training and expected to be able to find a job at the end of the training period would be given a child care subsidy for the training period and additional money would be encumbered for that specific client for the six months following the end of the current child care plan. From the point of view of projecting expenditures, the system would examine the client's current or expected eligibility and assign funds from the corresponding funding source to that client. If the training period, for instance, was scheduled to be exactly six months, the system would project a transitional child care eligibility for that client and reserve funds from that funding stream for the client. If the training was a course of study at a two-year college, the projected funding stream would continue to be the current one, namely, JOBS. In either case, projections of expenditures for current clients would include one child care plan period beyond the current one, and clients in one funding stream would have money in another encumbered for them. In non-entitlement and limited entitlement streams this would lead in turn to restricting the entry of new cases, if it appeared that funds are limited.

Encumbering funds represents the clearest and most direct means of committing the agency to continue funding for all existing clients. It may, however, not provide an accurate estimate of what current clients are likely to cost the system. While the goal of a seamless funding stream is to move clients from dependency to self-sufficiency through a series of stages and with declining support from the agency, it is probably rare that a family remains within the system from the time it receives AFDC through the time its income exceeds 185% of the poverty line. A certain percentage of families who need child care while receiving AFDC will not need it after leaving the cash assistance rolls. Some transitional clients will need child care for only six months rather than twelve, and perhaps even a majority of clients who receive income eligible child care will decide that the small amount of the subsidy at the higher ends of the fee schedule are not worth the redetermination process. Projections based on encumbrances, then, may overstate the amount the agency will need to continue all existing clients in an appropriate child care program. If the projections are used to determine the degree to which new client families can be accepted, the overstatement will restrict eligibility more than is necessary.

Projecting Expenditures

The alternative method of making the commitment to current clients corrects for that error, but it requires information about the flow of clients through the system in order to do so. In this method, no money would be encumbered for any individual client. Instead, computer analysis of individual cases would be used to determine the percentage of clients who have historically continued into the next eligibility period, as well as the funds which are required

for their subsidies in that period. The percentage of current plan period funds that those costs constituted would then be used to project future expenditures for current clients. The result would be a lower projection than with the encumbrance method, with less negative impact on new client families.

This alternative has several other advantages, as well. First, states often are not permitted to encumber funds in a future fiscal year. Since the real impact of either process has little to do with the accounting process of encumbering and much more to do with using projections for the purpose of deciding how much to open intake, the same purpose is accomplished without running into fiscal regulatory barriers.

Second, once the notion of encumbrance is eliminated, the projections need not stop with the current fiscal year but can provide a longer term look at future funding needs, comparing them to projected resources.

Third, tying an encumbrance to a particular client will create errors in the projections for specific funding streams, at least if the encumbrances have to be tied to individual streams. This is due to the fact that some clients will not follow the expected path. An AFDC client who was expected to transition off of cash assistance within six months may not succeed in doing so. Continuing child care for that client will cost money out of the JOBS program child care stream, not out of transitional child care, as projected.

Fourth, given the fact that the information which is needed to create this system is actual historical information, the projections can be much more discrete about which funding streams clients move into from which points in the system. For example, it may be that a certain percentage of clients move from transitional child care to the Child Care Development Block Grant, while others move to the At-Risk Child Care program. Each of those flows could be calculated and projections continue to be made on a funding stream specific basis, but with much greater accuracy than is now done.

While all of this sounds quite complex, and would indeed not be possible with the current resources SRS has available, KsCares makes it possible. By maintaining historical data and connecting to FARMS, all of the information which SRS needs to determine the historical flow of clients will be available, once sufficient information has been collected in the system. Even a single year's information would be sufficient to make a beginning and provide better projections than those which are currently planned. Periodic re-evaluations of the flow will be needed, in any case, because the clientele is likely to change over time.

Recommendation: **Once sufficient information has been gathered on KsCares, SRS should study the flow of cases from one funding stream to another and make projections of the amount of money in each funding stream which will be needed to service current clients through their next eligibility period, using that information to modulate the intake of new client families.**

Waiting Lists and Intake Policy

A number of state and local governments who do not have automated child care systems and/or the capacity to reserve child care subsidy funds in advance have found waiting lists to be a helpful tool in promoting seamless funding. These states use waiting lists to link funding streams, especially between entitlements and capped subsidies. One common example of this is the practice of placing families on the waiting list for income eligible child care (a capped funding stream) as soon as the family is determined eligible for Transitional Child Care (a time limited entitlement program.) Assuming that the wait for a subsidy is no longer than one year, the family will then be assured of continued assistance when eligibility for TCC expires.

If the KsCares system is used and our recommendations for projecting costs and tracking families are implemented, Kansas should not need to use waiting lists as a tool to support seamless funding. However, with the future possibility that intake will be restricted due to lack of funding, it is important that the state develop clear and consistent policies for the maintenance and use of waiting lists. The structure of priorities for the waiting list will determine which families receive child care subsidies and which do not.

Three issues need to be resolved in order for future SRS waiting lists to be structured in such a way that the agency has consistent procedures for providing child care to those families in greatest need. First, the agency needs to determine who should be included on the waiting lists and explicitly exclude all those who have an entitlement to child care; second, the priority list needs to be restructured so that the order of priority is based on need; and third, SRS needs to simplify and clarify the procedures for placing families on the waiting list and ensure that these procedures are consistently implemented in the area offices.

In deciding who is to be included on the waiting list, the first decision has apparently already been made. Protective services and foster care cases are not to be included because they must always be served immediately, at least according to the proposed revisions.[11] There are, however, other cases in which the child is entitled to child care. Transitional child care cases represent the clearest example. While KsCares permits TCC children to be placed on waiting lists, such children, by federal law, must be provided child care services when their families apply. There should be no transitional children on the waiting list. The same applies to children eligible for child care because their parents participate in the MOST program. Child care for these clients is supposed to be guaranteed. Nevertheless, it appears that both the current policy and the draft revisions, as well as KsCares, will permit these children to be placed on the waiting list.

Employed families who are receiving AFDC are entitled to the child care disregard and are also eligible to apply for child care assistance (at market rates) under the POS system. These families, therefore, may be placed on the waiting list for POS child care while they are

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[11]The earlier suggestion that Title IV-E funds be used for foster children should make this policy more feasible than it might be if only the capped funding streams were available.

receiving the disregard. When POS child care funds become available and are authorized, the child care disregard would be discontinued.

Establishing a waiting list policy for JOBS clients is more difficult. Due to several recent court decisions,[12] it has become increasingly clear that states which have been relying on waiting lists, or otherwise limiting child care assistance to families in approved education or training activities, need to review their practices. These rulings affirm the federal child care guarantee and clarify that child care assistance must be provided to any AFDC recipient who is participating in the same education and training activities which are part of the state's JOBS program, *regardless of whether or not they are actually a JOBS participant.* The federal Department of Health and Human Services has also issued an Action Transmittal (JOBS ACF 91-15) which directs states to implement a system for approving education and training activities of non-JOBS individuals on a case by case basis so they may qualify for child care assistance.

As noted at the beginning of this report, Kansas treats AFDC child care as a limited entitlement. It is not, under current rules, a violation of federal law to maintain a waiting list for enrollment in the JOBS program. States are required, however, to make child care available to these families if, on their own initiative, they enroll in an approved job training or education program outside of JOBS. Child care must also be provided to all employed AFDC recipients, although the child care disregard may be used to meet this entitlement.

Once families who are entitled to services are removed from the waiting list for capped, income eligible child care funds, it becomes necessary to establish a clear priority system for expending these funds. The simplest way in which the agency could develop its priority list would be based solely on income and employment status. Income eligible clients could be prioritized by income in such a way that families with the lowest incomes will be highest on the priority list, adjusted by employment status. For example, when incomes are equal, families who work full-time would have priority over families who work part-time, and employed families would have priority over families who are in education or training programs. This still assumes that protective services cases, foster care children, TCC families, MOST clients, and JOBS participants would not be on the list at all, because their access to child care is guaranteed.

The current procedures for placing families on the waiting list are also confusing and inconsistent. One section of the manual authorizes caseworkers to project income while another directs them to complete a full eligibility determination before placing a family on the waiting list. Area offices appear to have the flexibility to choose either of these methods.

Given the significant amount of time required to complete a full eligibility determination for child care subsidies, and the fact that such a determination is likely to be out-of-date in a few

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[12] Dubose v. Bradley, No. 93 C 0496 (N.D. Ill. Feb 23, 1993); Healey v. Gallant, No. 06117 (Mass. Sup. Jud. Ct. filed Dec, 1992); Miller v. Healy, 768 F. Supp. 1330 (N.D. Cal 1991).

months, we would not recommend that SRS complete a full eligibility determination simply for the purpose of placing a family on the waiting list. Many states have developed simplified intake procedures which can be done over the phone and which provide enough information to assign the family a priority code and place them on the waiting list. When funds become available, the family is then contacted and a full eligibility determination is made.

Recommendation: **SRS should ensure that all clients entitled to child care will receive that care by prohibiting the placement of such clients on the child care waiting list.**

Recommendation: **SRS should ensure that families who are on the JOBS waiting list are informed that child care assistance will be made available to them if, on their own initiative, they enroll in an approved education or training program.**

Recommendation: **For clients not entitled to child care, SRS should maintain one, centralized waiting list and establish service priorities based on need.**

Recommendation: **SRS should streamline and clarify the intake process so that caseworkers are not spending time conducting a full eligibility determination unless funds are actually available to pay for child care.**

Parent Choice and Child Care Supply: Key Issues for Seamless Funding

A seamless subsidy system is designed to ensure that families receive the financial support they need to secure stable, consistent child care while they work toward self-sufficiency. While providing low-income families with the means to pay for child care is essential, this factor alone cannot ensure that the family will be able to purchase care which is accessible or of high quality. A number of other factors enter into the equation.

The Kansas POS system, like all voucher systems, is built on the child care market. The system assumes that the market currently provides--or will provide as a result of the stimulus posed by a voucher--a range of child care options among which parents can choose. Unfortunately, this is not always the case. As a number of studies have revealed, the child care market is unique, and does not respond to the principles of supply and demand in a

typical fashion.[13] Child care advocates have often raised concerns about the extent to which a range of child care options is indeed available in many neighborhoods.

When the child care market is viewed from the perspective of families who reside in low-income communities and receive subsidized child care, the issues of supply and demand become even more complex. In low income communities, for example, the demand for child care in centers and regulated family child care homes is typically driven not by need but by the availability of child care subsidies, since families without subsidies can rarely afford to purchase regulated care and regulated providers can rarely afford to survive on fees which are not subsidized by the government or another philanthropy. Thus, the types of child care available in a particular low-income community may be a direct result of the types of subsidies available in the community, rather than the need for care.

Even the area which is loosely defined as a community or neighborhood for purposes of a child care search will change as socioeconomic status changes. Because the availability of child care varies widely from neighborhood to neighborhood, many middle class families are able to access a wide range of child care providers by expanding their child care search beyond the neighborhoods in which they live and work. Without a car or access to public transportation, low-income families must typically choose their child care providers from a very limited geographic area. Thus, when we talk about the availability of child care in communities, it is important to think carefully about how we define the term community and how accessible the care is to families without transportation.

A 1992 study of child care certificate (i.e., voucher) programs found that the following factors were key to developing a system which allows parents to choose among a range of quality child care providers:[14]

- *Ensuring that parents are fully aware of their right to select their own child care provider, and assisting them in obtaining the information and support they need to make a choice.*

- *Ensuring that a wide range of providers participate in the certificate program.* This includes a range of activities, such as: developing "provider friendly" forms, policies, and procedures; conducting outreach and education activities to bring new providers into the system; offering technical assistance to help providers comply with regulatory requirements and enroll in the certificate system; paying rates which are high enough

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[13]see The Economics of Child Care, David M. Blau, Editor, The Russell Sage Foundation, 1991; and Culkin, Mary L., Suzanne W. Helburn, and John R. Morris, "Current Price Versus Full Cost: An Economic Perspective," from Reaching the Full Cost of Quality in Early Childhood Programs, Barbara Willer, Ed, National Association for the Education of Young Children, 1990.

[14]Genser, Andrea and Stoney, Louise, Establishing Effective Certificate Programs: Issues for States, The National Association of Child Care Resource and Referral Agencies, April 1992.

to cover the cost of care and making sure that providers are paid promptly; and, establishing absence policies which correlate with those required of the private, fee-paying, market.

- *Promoting high quality child care for all families.* This includes such activities as: making funds available for program accreditation, provider training, and other quality improvements; targeting start-up funds and, when necessary, providing operating assistance, to child care programs located in low-income neighborhoods where it has been determined that regulated care is in short supply.

Parent Choice and Child Care Supply: The Kansas Experience

At present, only limited data are available on the supply of child care in Kansas. KDHE maintains records on the programs which it regulates, and is in the process of automating these data so that the department will be able to provide up-to-date information on the number of regulated spaces available in each county of the state. Table VII, below, summarizes the data currently available from KDHE.

Table VII
Supply of Regulated Child Care in the State of Kansas
March, 1993

Type of Provider	Number of Providers	Estimated Number of Slots Available[1]
Child Care Center	848	45,538
Preschool	365	7,300
Group Child Care Home	451	5,412
Licensed Family Child Care Home	4,289	42,890
Registered Family Child Care Home	4,227	25,362
Total	12,173	128,495

[1] These estimates are based on the maximum licensed capacity for family child care homes, and the average licensed capacity for child care centers and preschools. All data included in this table is from KDHE child care licensing division.

Using data available from the 1990 census and the Child Care Action Campaign, Gwen Morgan conducted an analysis of child care supply which revealed that Kansas has a child care density ratio of 12.1, with family child care comprising approximately 60% of the total

child care supply.[15] Density ratios represent the number of regulated spaces in centers and homes for every one hundred children below the age of fifteen.

In 1990, statewide density ratios across the country ranged from a high of 20.1 to a low of 3.7 spaces per 100 children. Ms. Morgan suggests that states with a high density ratio are regulating most of the child care in their states as well as stimulating or supporting the supply of child care in other ways. States with a low density ratio are likely to have a lower than average supply of programs, more illegal care, regulatory barriers, lack of stimulation and support for supply, gaps in regulatory coverage, or some combination of these characteristics. The density ratio reported for Kansas is neither high nor low, but near the mean.

Unfortunately, all of the data reported above is very general. Although it gives us some sense of where Kansas is with regard to the supply of regulated child care, and how the state fares in relation to other states, statewide information is still of limited use when making decisions regarding the extent to which families who receive SRS subsidies have a range of care from which to choose. If these data were available for each community, and by type of care, age of child, length of day, length of school year, and also included programs which are exempt from licensing[16], we would have the kind of information necessary to assess the availability of child care in the neighborhoods where subsidized families live and work. Several recommendations emerge from these considerations.

Recommendation: **KDHE should receive the resources and support necessary to continue their efforts to establish an automated data base which includes detailed, county by county data on all of the programs which they regulate.**

Recommendation: **SRS should work closely with CCR&R agencies to establish and maintain community specific data bases which include information on all legal child care providers, including those which are not regulated by KDHE.**

Recommendation: **SRS should target child care start-up and training grants to those communities where a shortage of regulated child care has been reported, with a particular emphasis on low-income communities.**

CCR&R agencies could been a helpful resource in identifying areas where the supply and quality of child care is weak.

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[15]Morgan, Gwen G. A Hitchhiker's Guide To The Child Care Universe, a report prepared for the National Association of Child Care Resource and Referral Agencies, February 15, 1991.

[16]This would include school age programs sponsored by public and private schools, Head Start, and care on Military bases, Indian reservations, and Job Corp sites, to name a few. See Table IIc, on page 7, for a detailed description of legally exempt care.

Provider Willingness to Accept SRS Subsidy

In order to assess the extent to which a range of child care options is available to families who receive SRS subsidies one not only needs to know the number of slots available in the community, by type of care, age of child, and so forth, but also whether or not these providers are willing to participate in the SRS subsidy system. Again, statewide data which indicate the percentage of providers who currently have a contract with SRS or are willing to serve subsidized families are not available. However, calls to several of the resource and referral agencies provided some interesting data, which is included in Table VIII, below.

Table VIII
Percentage of Child Care Providers With SRS Contracts
(Reported by Selected CCR&R Agencies)

CCR&R Agency	County	# of providers in CCR&R data base	# of providers in data base with SRS contracts	% of providers in data base with SRS contracts
Child Care Association of Wichita	Sedgwick	1497	316	21%
Child Care Association of Wichita	Cowley	132	4	3%
Child Care Association of Wichita	Sumner	94	6	6%
Child Care Association of Wichita	Butler	151	7	5%
Child Care Association of Wichita	Harper	30	0	0%
ERC/Resource and Referral	Shawnee Osage Jackson Wabuansee	643	258	40%
Heart of America Family Services	Wyandotte Leavenworth Jefferson Franklin Douglas Osage	702	158	23%
Day Care Connection	Johnson	1300 (est)	50 (est)	4%
YWCA of Salina	Salina	204	114	56%

The CCR&R agencies we contacted to obtain the data in Table VIII were careful to stress that these data are based on the information included in their data bases, and may not be entirely accurate. Some providers, for instance, do not want to receive referrals and therefore may ask not to be included in the CCR&R list. Others may accept children with SRS subsidies on a case by case basis, and thus do not want to be identified in the data base as having an SRS contract.

In addition, the data from Johnson County are based on estimates largely because the SRS office in this area does not contract with providers unless they actually have an SRS child in care. Thus, there is no way to determine the actual percentage of providers in this county who are *willing* to serve children with SRS subsidies. The CCR&R in Johnson County refers subsidized families to all providers who are located near the family's home or work, as they would for any private, fee-paying family, and then suggests that the parent speak with the provider about accepting SRS reimbursement. If the provider is willing to comply with SRS policies and accept the SRS reimbursement rate, a POS agreement is negotiated.

Despite the limitations posed by the data, Table VIII indicates that in many ares of the state only a small percentage of regulated child care providers are willing to serve subsidized children.

Barriers to Provider Participation

In an effort to gather provider perceptions of the SRS subsidy system, we conducted telephone interviews with fifteen child care providers who represented both home-based and family-based care and were located in urban, rural, and suburban areas across the state.[17] All of the providers we spoke with currently serve subsidized children or have done so in the past. While not intended to represent a statistically valid sample of all providers, those interviewed reinforced the data presented in Table VIII. The providers frequently raised concerns that families who receive SRS subsidies did not have a wide range of child care options from which to choose. Indeed, several of the providers we spoke with commented that they felt pressured to accept increasing numbers of SRS children because they knew that these families had no where else to go for child care.

When asked to explain why so few providers were willing to accept subsidized children, the providers most often cited the following reasons: the low reimbursement rates and delayed payment from SRS; the general "bureaucracy" involved in negotiating a POS agreement and completing the required paperwork; the shortage of child care in general, particularly in rural areas and for infants and toddlers; and a concern (either real or perceived) that subsidized children often had social and emotional problems and were therefore more difficult to care for.

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[17]A list of the providers interviewed for this study is included in Appendix B.

Reimbursement Rates

The low rates paid by SRS were by far the most frequently cited concern raised by the providers we interviewed. Although a number of the providers said that the rates had increased significantly in recent years, they were reported to be still below the cost of care. Among those we interviewed, only one center and three family child care homes said that the SRS rate they received was equal to what they charged private, fee-paying families.

Several of the providers told us that, due to low rates, they had to limit the number of children with SRS subsidies they served. Others wanted to know how to get off "the SRS referral list," and raised concerns about continuing to receive calls from families with SRS subsidies after they had already accepted as many subsidized families as they could afford to serve. Concerns about turning families away were heard frequently:

> "It really hurts me to turn these families away, but *my family income* is dependent upon what I earn from my day care business [and SRS just doesn't pay my costs.] Without this business, I'd be on welfare, too."
>
> "Too many SRS kids are dumped into one or two centers that serve only poor families...there is choice, in theory, but not in practice because there aren't enough providers who can afford to take these kids."

The fact that providers are not permitted to charge parents the difference between the SRS rate and their private fee was raised in several interviews. SRS has established such a policy to protect low-income families, who are already required to pay a portion of the cost of care based on a sliding fee scale which correlates with family income. If providers are allowed to charge a fee in addition to the SRS family fee, they argue, families may find that they are unable to afford child care even when it is subsidized by SRS. On the other hand, some providers believe that such a policy hurts low-income families by limiting their access to care. These providers argue that because they are not allowed to charge additional fees they simply refuse to accept families with SRS subsidies or limit the number of subsidized families they serve.

The SRS concern about maintaining affordable parent fees is valid. Allowing providers to charge fees in excess of the SRS sliding fee scale could make the scale meaningless. At the same time, however, subsidized families should have access to the same range of child care providers as private, fee-paying families. When the child care certificates they receive from SRS can, at best, purchase only 55 to 60 percent of the child care in a community, low-income families are indeed at a disadvantage.

Recommendation: SRS should raise the child care reimbursement rate ceiling to the 75th percentile of the local market rate, the ceiling established in most federal funding streams.

Payment Policies and Procedures

Some of the providers we interviewed also raised concerns about lengthy delays in receiving SRS payment. However, a majority of those we spoke with reported that they had experienced delays in the past but that since the new computer had been installed and the area office had increased staff, the turn-around time for payment had improved significantly. Providers located in areas using the computer payment system reported that, on average, they were paid within two weeks of submitting their monthly time sheets. The turn-around time reported by providers located in areas where payment was still processed manually varied widely, with some reporting prompt payment and others reporting delays of up to two months.

Several providers also spoke about losing money as a result of absence policies. These providers required fee-paying families who attended their program to pay the full fee even if their child was sick or on vacation, and failed to understand why SRS would not pay for these days.

A few family child care providers raised concerns about monthly payments (they wanted to be paid every two weeks); others suggested advance payment. But most of the providers we spoke with felt that the guarantee of payment from SRS ameliorated the negative impact of these factors.

Hourly vs. Daily Rates

The SRS proposal to begin calculating payment on the basis of hourly rather than daily fees was raised in several of the interviews. Center-based providers appear to be deeply concerned that this shift will adversely impact their programs and further widen the gap between the actual cost of care and the SRS reimbursement rate.

Because of strict staff to child ratios and the difficulty of developing a staffing pattern which can support flexible attendance, many child care centers do not offer part-day care. The center cannot afford to pay staff if they are not guaranteed full attendance, or at least full parent fees. In these cases, parents may elect to use the center part-time, but they must pay a full-time rate. Other centers have developed part-time schedules, but because of staff to child ratios, these schedules are fairly rigid. A part-time rate might, for example, cover a 7:30 am to 1 pm or 1 pm to 6:30 pm schedule. Children who attend within these schedules would be charged a part-time rate. A child who attends from 11 to 3 would, however, be required to pay a full fee, since the child's attendance straddles the two part-time schedules.

Although each of the part time schedules described above cover a 5 1/2 hour period, in most cases even a child who attends the center for only two hours a day would be required to pay for full 5 1/2 hour part-day fee. The reason for this is the high cost of staffing the program to meet mandated staff to child ratios. Even if the provider were to calculate an actual hourly

rate and charge parents only for those hours the child was in attendance, this hourly rate would have to be high enough to cover the cost of paying for staff during those hours when the center was not fully enrolled, and thus would probably be no less expensive than a part-day rate.

In sum, one cannot arrive at an accurate hourly rate by simply dividing the daily fee by the total number of hours of children are in care. Center directors fear that this is what SRS intends to do, and that, as a result, they will lose even more money on the subsidized children they serve, or worse, that subsidized families will be steered in the direction of family child care, which is more likely to accept an hourly rate.

If SRS staff develop a child care plan that is based on the actual hours a child is in care, and does not correspond to the various schedules of care described above, many child care providers will indeed lose money. Based on the revised version of the Employment Preparation Manual, however, SRS staff will have the flexibility they need to prepare child care plans which can authorize care which not only meets the needs of the child and the family, but is also sensitive to the schedule of care offered by the child care provider. To this end, when SRS makes a shift from daily to hourly rates, it will be extremely important to ensure that staff who are establishing child care plans understand the schedules and policies of the child care providers in their community and are able to prepare plans which correlate with these policies.

As we stated earlier, a parent choice child care subsidy system is built on the child care market. If SRS intends to expand the number of providers who are willing to participate in the subsidy system, the department needs to understand and respond to this market. In addition to paying market rates and paying close attention to program schedules in preparing child care plans, this may also require that more flexible absence policies be developed.

Recommendation: **SRS should carefully monitor the area office experience with implementing hourly child care rates to determine if this policy is having an adverse effect on provider participation and parent choice.**

Recommendation: **All SRS staff who have responsibility for authorizing child care subsidies under any funding stream (including the child care disregard) should receive training in how to develop child care plans which meet the needs of children and families, and correspond to the program schedules and policies which operate in the local child care market.**

Recommendation: **SRS should consider amending its absence policies to correlate with the policies which apply to private, fee-paying families. In addition, the KsCares automation system should be revised to incorporate all**

absence policies, especially with regard to the ability of caseworkers to authorize the use of accumulated absence days.

Local CCR&R agencies can be a helpful resource to SRS in understanding and responding to the local child care market. For several years the Wichita area office contracted with its county CCR&R to assist SRS clients in securing child care as well as to recruit child care providers to participate in the subsidy system. A number of states have forged these kinds of public/private partnerships, and have used CCR&R agencies in a variety of ways to help expand the supply and quality of child care available to low-income families.

Communication Between SRS, Providers and Parents

The importance of good communication between the SRS office and child care provider was stressed, time and again, throughout the provider interviews. Providers frequently raised questions about the policies and procedures for payment and parent eligibility. Others spoke of large financial losses as a result of problems with parents whose eligibility status had changed and thus had to negotiate a new child care plan with SRS. If the new plan changed either the SRS or parent fee, and the provider was not notified in a timely fashion, problems arose.

Some of the providers mentioned that many of the problems which they had with SRS resulted from the fact that the offices were so poorly staffed and turn-over was high. Others mentioned that this had been the case in the past, but that the situation had changed completely in recent years (in some cases, in recent months) because the area office had received additional staff and strong supervisors who "understood child care."

In several interviews, providers specifically suggested improvements in training for both staff and providers. In line with those suggestions, we make the following recommendations.

Recommendation: **SRS needs to invest in better staff training and offer more training and technical assistance to the providers who participate in the POS system.**

Recommendation: **SRS should develop informational handbooks for providers and parents which explain, clearly and simply, all of the policies and procedures involved in determining eligibility for SRS subsidies and negotiating a provider agreement, and which include sample forms and a description of how to complete the forms.**

Administrative Barriers

When asked to identify the barriers to participating in the SRS subsidy system, almost all of the providers we spoke with cited the paperwork and time involved in dealing with the SRS bureaucracy as a key disincentive. We asked providers to speak at length about the various forms and procedures required by SRS, in an effort to identify more specifically areas which are in need of reform.

Few providers felt that the payment process, including the submission of monthly attendance records, was a complex process, and even those who did could not recommend a better way of processing payment and ensuring accountability. Although several providers felt that the intake and recertification process was too complicated for parents, so long as they had a good relationship with the area office and received timely notice of changes, the paperwork involved in enrolling new families did not appear to cause problems for providers.

A number of providers raised concerns, however, about the paperwork and lengthy process involved in negotiating a POS contract. As one provider stated:

> "Every year we go through a renewal of my contract. *This* is the paperwork that is most complicated. Why do I have to spend so much time answering all these questions? [refers to the operational plan] I have to do much of the same paperwork for the licensing department....why can't these agencies work together? We should be automatically recertified for a contract when we renew our license with the state."

Others questioned what the state actually did with all of the data requested on the operational plans, as they had never seen any evidence that it was compiled into a report or used to inform decisions. Because it took a lot of time to gather the information requested in the operational plan, several of the providers we spoke with believed that most providers did not bother to fill out the form accurately.[18]

All of the providers we interviewed concurred that the monitoring visits made by KDHE and SRS could be combined into one visit. Most felt that the visit conducted by the local health department should be sufficient to ensure that the program met the standards required for a POS contract. Even those providers who wanted more contact with SRS staff felt that the monitoring visits were not an effective tool for developing these relationships. Several providers indicated that they wanted SRS staff to be available to them as a resource, and were particularly interested in having social service support and training in dealing with children

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[18] The Operational Plan for Purchase of Service form (cc-1618) requests the following information: general description of services (e.g. program schedule, any available transportation, meals provided, special services, accreditation status, etc.) daily rate schedule for each child by age of child, ethnic origin of children served, types of SRS eligible families served (e.g. single parent, foster parent, guardian, etc.) sources of fee payments, current licensed capacity, enrollment, and vacancies, an organizational chart, sample brochure or other written material given to parents describing services, and an annual financial report if 10 or more SRS eligible children receive care on a regular basis.

with complex social and emotional problems. They felt that SRS staff could be better used in this capacity than in monitoring centers and homes which were already licensed by the local health department.

Although we agree with the providers' recommendations, it may be necessary for SRS to continue to monitor those homes which are not licensed by KDHE. Licensing and registration requirements should be sufficient to ensure that the services purchased from regulated providers represent an adequate level of quality. Still, SRS may need its own controls over unregulated providers. Care needs to be taken, however, not to restrict client choice by placing too many restrictions on these child care resources.

We would further recommend that SRS streamline the system for negotiating POS contracts in a number of ways. First, the Operational Plan for Purchase of Service for child care centers and homes should be eliminated. Completing these forms accurately requires a significant amount of time. If these data were entered into some form of automated system where it was easy to access and could be used to inform policy decisions, it might make sense to request it on an annual basis. At present, however, these forms are simply filed in the SRS area offices, and, we are told, rarely used.

Second, the Annual Financial Report should be eliminated. Although these reports may be needed in the few instances where SRS negotiates a special purpose contract with a child care center, they are not necessary in a POS system where rates are based on data gathered in a market rate survey.

Third, a "provider friendly" form which gathers the information necessary to initiate a POS contract should be developed and included in the materials which all providers complete for licensing and/or registration. At the licensing orientation session, prospective providers should be informed about the SRS subsidy system and invited to complete the form in order to be eligible to serve subsidized children. Provider handbooks, which describe the POS system and what is required, could also be distributed at this time.

In addition, we recommend that SRS develop a plan to recruit additional child care providers who are willing to serve subsidized children. This recruitment campaign could stress the advantages of participating in the POS system (e.g. guaranteed payment, referrals, the opportunity to help low-income families and to support a diverse child care system, etc.) In addition, the campaign could highlight the steps taken by SRS to address many of the disadvantages noted in this report (e.g streamlining paperwork, raising reimbursement rates, speeding up the payment process, etc.) CCR&Rs and other community organizations, as well as the private sector, could be invited to serve as partners in this effort.

Recommendation: **SRS should accept the results of the local health departments' monitoring visits as evidence of the provider's compliance with the requirements for a POS contract.**

Recommendation: **SRS should establish a simple form and procedure for initiating a POS contract which can be completed by providers at the time that they are licensed or registered with KDHE.**

Recommendation: **SRS should eliminate the requirement that providers complete the following forms: cc-1618, and cc-1603, the Operational Plan for Purchase of Service for child care centers and homes; and cc-1617, the Annual Financial Report.**

Recommendation: **SRS should develop a provider outreach campaign, with the goal of recruiting providers who are willing to serve subsidized children.**

Coordination With Other Funding Sources

This report explores only those child care funding streams which are administered by the Kansas Department of Social and Rehabilitative Services. There are, however, a host of additional funding streams which are administered by other state and federal agencies that can be used to support early childhood care and education services. Further analysis needs to be conducted to explore the extent to which these funds can be coordinated with the SRS subsidy system to create a more comprehensive, high quality early childhood care and education system. Because this will involve cross-agency efforts, we would see the Corporation for Change as an appropriate body to initiate and coordinate the discussions which need to take place.

Job Training Partnership Act (JTPA)

JTPA is a federally funded job training and placement program which serves the disadvantaged and unemployed. Training programs are designed and operated at the local level through a partnership of local businesses, government and education agencies, and community based organizations. Kansas has five JTPA Service Delivery Areas, each of which operate independently.

Fifteen percent of JTPA funds may be set aside for supportive services, and child care is identified as one of the services which may be paid for with these funds. Because the need for supportive services is so great, and the cost of child care so high, few JTPA contractors are able to pay for the full cost of regulated child care. Many of the SDAs we spoke with reported that they encourage participants to locate relatives or friends to care for their children free of charge. Several mentioned that they will refer their clients to the SRS area office for child care assistance if they appear eligible.

A few of the JTPA contractors have, however, developed formal relationships with the SRS area office and the KanWork program in particular. The JTPA program which is run by the Department of Human Resources in the City of Wichita is an excellent example. Staff in this agency have taken steps to ensure that KanWork clients in this region are automatically eligible for JTPA. The two agencies then work together to develop a coordinated job training and placement plan. They typically use JTPA funds to pay for the training and KanWork funds to pay for child care. In cases where it may take time to authorize and or pay for child care, JTPA funds can be used in the short term to fill in gaps in service. Staff in the agencies also work to ensure that the families apply for continued SRS child care subsidies when they "graduate" from the job training program and obtain employment.

The coordinated funding approach described above is an effective way of maximizing resources as well as ensuring that families receive the child care assistance they need to secure and maintain employment.

Recommendation: **SRS and JTPA should develop joint training and technical assistance programs and resource materials aimed at educating staff about the ways in which these two programs can work collaboratively.**

Head Start

Head Start is a federally-funded program for preschool age children from low-income families. Ninety percent of the families served by the program must have incomes at or below the federal poverty level, and at least ten percent of the children served must be professionally diagnosed as disabled. Head Start programs provide preschool, social, health and nutritional services. Parents are very involved in the program and are offered a variety of parental education and career development services.

Almost all Head Start programs in Kansas operate part-day on a school calendar, although other options are available in a few areas of the state. During the 1991-92 academic year, 2% of the children enrolled in Kansas Head Start attended a full-day program.

In 1992, Kansas received $13,938,280 in federal Head Start funds to serve 4,996 children in fifty-five counties. 76% of these children were four years old and 22% were three years old. The average annual cost per child was $2,962.[19] There is currently no state-level entity which administers or supervises Head Start programs in Kansas. Oversight is provided by the federal Administration for Children and Families Regional Office in Kansas City.

SRS has awarded a few grants to Head Start agencies to assist them in making the program and facility modifications necessary to expand to full-day, year-round services. The goal of these grants is to encourage Head Start agencies to use SRS subsidies to "wrap around" their federal Head Start grants and provide full-day care to families who are employed or in job training. It appears, however, that this effort has had minimal impact.

Developing a blended subsidy system which incorporates both grant and voucher funds is difficult. There are a host of complex programmatic and fiscal issues which must be addressed. Unfortunately, we did not have the time or resources necessary to examine these issues in preparing this report. Further research in this area is recommended.

Recommendation: **Given the proposed growth in Head Start funds and the growing need for full-day, year round early childhood services, it is extremely important that Kansas policy makers think carefully and creatively about how to coordinate Head Start and child care subsidy funds.**

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[19]from Kansas Head Start, a report prepared by the U.S. Department of Health and Human Services Administration for Children and Families, Office of Family Supportive Services, Head Start and Youth Branch, October 15, 1992.

United Way and Other Philanthropies

Local United Way agencies and other private philanthropies make significant contributions to support early childhood care and education programs. In most cases, however, these monies are contributed to specific *programs* rather than *families*. As a result, these funds are rarely part of a coordinated subsidy system.

United Way agencies in several states have, however, begun to explore alternative financing strategies. In Monroe County, New York, the local United Way agency supported a county-wide day care scholarship program which for many years operated separately from the state child care subsidy system. Last year this United Way agency decided to contribute its child care scholarship funds to the county, and merge the two programs. Using the United Way funds as a local match, the county was able to draw down additional state and federal funds, serve more families, and raise their income eligibility ceilings. As a result of this merge, the United Way spent only a portion of its previous allocation to serve the same number of families, and is now able to shift the remaining funds to support other child care initiatives.

Local United Way agencies in the State of Florida have for many years contributed funds to private, non-profit central agencies, which administer all child care subsidy funds in the state. These agencies receive contracts from a variety of public and private sources and coordinate the funds to provide seamless child care services to low-income families.

The potential for such an approach in the State of Kansas is unclear. The benefits to families and children, however, are obvious.

Recommendation: **The Corporation for Change should conduct a study of the private funds which are currently available, or which could be made available, for child care in the State. This study should explore the possibility of developing public/private partnerships which support coordinated subsidy systems and enhance the quality of child care services available to low-income families.**

Federal and State Education Funds

There are a number of funding streams which are administered by the Office of Elementary and Secondary Education in the U.S. Department of Education, through state and local educational agencies, and which can be used to support early childhood care and education services. These include the following:

Chapter I - These funds are designed to support a variety of services targeted at "educationally disadvantaged" preschool age children, and could be used to support early childhood care and education services such as prekindergarten programs.

Chapter II - These funds may also be used to provide a variety of instructional and support services for low-income preschool age children who are "at risk" of educational failure.

Even Start - This program is designed to provide services both to children who are educationally disadvantaged and to their parents. It is aimed at integrating early childhood education, adult education, and parent education into a project that builds on existing community resources.

Additional state or federal funding sources which are administered by the Education Department and which can be used to support early childhood care and education services may also be available. Further research in this area is needed.

Recommendation: **The Corporation for Change should work closely with the State Education Department to explore ways of coordinating funding streams to support a variety of early childhood care and education services.**

Children With Special Needs

There are a host of federal and state funding streams available to support early childhood care and education services for children with special needs. These funds are typically available only for part-day services on a school calendar, and are rarely used in collaboration with public child care subsidies. As a result, it is often very difficult for families who have children with special needs to obtain both the child care and the special services they need to support their child while they work or attend training or education.

Recommendation: **The Corporation for Change should conduct a study of early childhood services for children with special needs. Such a study would identify all of the funding streams available to serve this population and explore avenues for coordinating these funds. The goal of this effort would be to develop a subsidy system which allows families to receive comprehensive, full-day, year round early childhood care and education services for children with special needs.**

Summary of Recommendations

Ensuring Consistency in Rules, Regulations, and Procedures:

1) SRS should combine the two, separate family fee scales currently used for Transitional Child Care and other income eligible families into one fee scale. This fee scale would be used in all cases where a family fee for child care services is required, regardless of the funding stream.

2) All AFDC recipients should be made aware of and able to access the the child care purchase of service (POS) system. The income disregard method of payment should only be used in cases where it is the only viable, or most appropriate, method of payment.

3) SRS should amend the Employment Preparation Manual to establish that, in the case of teen parents, family income is defined as the income of the teen parent and his or her child(ren), and should not include income of other relatives who may or may not be sharing residence with the parent and child.

4) SRS should maintain one, centralized waiting list for child care services, establish waiting list priorities based on need, and ensure that all families entitled to child care receive that care and are not placed on the waiting list.

5) The SRS central office should develop clear and consistent policies and procedures for processing payment to in-home providers and ensure that staff in the area offices are aware of and able to follow these procedures.

6) SRS should allow parents or guardians who elect to use in-home care to receive their child care payments in advance, rather than as a cash reimbursement.

7) SRS should take steps to ensure that parents or guardians who elect to use in-home care are fully informed of their legal responsibilities as employers, and are provided with technical assistance in meeting these responsibilities.

8) SRS should review the current rate ceiling for in-home care to determine if it is sufficient to cover the cost of paying both the caregiver and any required employer benefits.

Streamlining Administrative Procedures:

9) SRS should make re-application for child care subsidies a requirement only in those cases where it is required by federal rules, and the process should be made as simple as possible.

10) SRS should accept the results of the local health departments' monitoring visits as evidence of the provider's compliance with the requirements for a POS contract.

11) SRS should establish a simple form and procedure for initiating a POS contract which can be completed by providers at the time that they are licensed or registered with KDHE.

12) SRS should eliminate the requirement that providers complete the following forms: cc-1618 and cc-1603, the Operational Plan for Purchase of Service for child care centers and homes; and cc-1618 and cc-1617, the Annual Financial Report.

13) SRS should streamline and clarify the intake process so that caseworkers who will be placing families on the waiting list are not spending time conducting a full eligibility determination unless funds are actually available to pay for child care.

Creating an Automated Seamless System:

14) Once sufficient information has been gathered on KsCares, SRS should study the flow of cases from one funding stream to another and make projections of the amount of money in each funding stream which will be needed to service current clients through their next eligibility period, using that information to modulate the intake of new client families.

15) SRS should make its accounting codes coincide with actual funding streams, permitting KsCares to assign funding streams to individual clients and maximize federal reimbursement

16) In order to understand the extent to which the SRS child care system is actually working in a seamless fashion, SRS needs to gather and analyze data on the number of children and families served, the cost of care, the funding stream, the type of care and the duration of the services provided. Until KsCares is fully operational, SRS should use FARMS, or any other appropriate existing data set, to track the flow of children and families across providers and funding streams.

Expanding Supply and Demand Data:

17) KDHE should receive the resources and support they need to establish an automated data base which includes detailed, county by county data on all of the programs which they regulate.

18) SRS should work closely with CCR&R agencies to establish and maintain community specific data bases which include information on *all* legal child care providers, including those which are not regulated by KDHE.

19) SRS should begin to track the number of families who use the IV-A child care disregard, the type of child care they use, and the average cost of this care.

Strengthening Parent Choice and Child Care Supply:

20) SRS should develop a provider outreach campaign, with the goal of recruiting additional providers who are willing to serve subsidized children.

21) SRS should target child care start-up and training grants to those communities where a shortage of regulated child care has been reported, with a particular emphasis on low-income communities.

22) SRS should raise the child care reimbursement rate ceiling to the 75th percentile of the local market rate, the ceiling established in most federal funding streams.

23) SRS should carefully monitor the area office experience with implementing hourly child care rates to determine if this policy is having an adverse effect on provider participation and parent choice.

24) SRS should consider amending its absence policies to correlate with the policies which apply to private, fee-paying families. In addition, the KsCares automation system should be revised to incorporate all absence policies, especially with regard to the ability of caseworkers to authorize the use of accumulated absence days.

Expanding Training and Staff Development:

25) All SRS staff who have responsibility for authorizing child care subsidies under any funding stream (including the child care disregard) should receive training in how to develop child care plans which meet the needs of children and families and correspond to the program schedules and policies which operate in the local child care market.

26) Targeted training should be developed, and supervision provided, to ensure that the caseworkers who serve public assistance recipients have the information they need to assist their clients in securing IV-A Child Care and Transitional Child Care subsidies, as well as other child care assistance available to employed, low-income families.

27) SRS should develop informational handbooks for child care providers and parents which explain, clearly and simply, all of the policies and procedures involved in determining eligibility for SRS subsidies and negotiating a provider agreement, and which include sample forms and a description of how to complete the forms.

28) SRS should offer more training and technical assistance to the providers who participate in the POS system.

Improving Coordination With Other Funding Streams:

29) SRS and JTPA should develop joint training and technical assistance programs and resource materials aimed at educating staff about the ways in which these two programs can work collaboratively.

30) Kansas policy makers should, in cooperation with the Head Start regional office, think carefully and creatively about how to coordinate Head Start and child care subsidy funds.

31) The Corporation for Change should conduct a study of the private funds which are currently available, or which could be made available, to help support child care services in Kansas. This study should explore the possibility of developing public/private partnerships which support coordinated subsidy systems and enhance the quality of child care services available to low-income families.

32) The Corporation for Change should work closely with the State Education Department to explore ways of coordinating funding streams to support a variety of early childhood care and education services.

33) The Corporation for Change should conduct a study of early childhood services for children with special needs. Such a study would identify all of the funding streams available to serve this population and explore avenues for coordinating these funds. The goal of this effort would be to develop a subsidy system which allows families to receive comprehensive, full-day, year round early childhood care and education services for children with special needs.

Appendix A

Fee Schedule Options

Public welfare agencies have begun to pay attention to seamless child care systems because of their interest in guiding families towards self-sufficiency. No longer is it considered acceptable simply to get as many families as possible off of public assistance, as we have begun to realize that, without long term solutions, many of these families will simply return to welfare. The understanding of the movement of families onto and off of the public assistance rolls has led to greater concern with the process of moving families from complete dependence to partial dependence to complete self-sufficiency. Fee schedules play a part by partially determining whether a family can make adequate provision for its children during this process. The principles the agency elects to emphasize in the construction of its schedule are likely to determine the point at which the process is most apt to break down.

It should be said at the beginning that there is no ideal fee structure. Some structures will accomplish certain purposes better than others, but no structure accomplishes everything which might be wished for in a perfect child care system. In order to develop an appropriate schedule for its own purposes, an agency needs to understand what it wants to accomplish, what principles will lead most closely towards that goal and what will be lost because of those choices.

The assumption that will be made here is that SRS wants to create a child care system which is as seamless as possible. Some of the principles which have been used to create fee schedules, and which will have an impact on the department's ability to reach this goal, include the following:

1) *Equity:* This means that families of the same size and income pay the same fee, regardless of which program funding stream they use, and that families who can afford to pay more do so. For any seamless system the equity principle needs to play a major role. At a minimum, fees need to be the same for all child care programs and funding streams. With the exception of transitional child care, SRS has already accomplished this goal.

2) *Affordability:* This implies that fees are low enough that they do not discourage eligible clients from using the services they need. Affordability is also important for a seamless system. A fee schedule which requires families to pay more than they believe they can afford will hinder the effort to lead families to self-sufficiency.

3) *Notch Avoidance:* When a client moves from one status to another, either from one income eligibility level to another or from eligibility to ineligibility, the increases in fees are gradual, not dramatic, in a system which is constructed

without notches. Notch avoidance is necessary because it represents a commitment to keep child care continuously affordable at all eligibility levels.

4) *Cost:* When the cost of the service is the foundation of the fee schedule, the amount of the fee varies according to the service the client receives. Families with more than one child in care and families opting for more expensive types of care pay more under such a structure than families of the same income and size who receive less expensive services. The primary function of the cost principle is to eliminate the notch between the highest eligibility level and ineligibility, so that families have an easier time taking the last step towards complete self-sufficiency. The extent to which this can be accomplished fully depends to a large extent on the level of reimbursement the agency makes to child care providers. When reimbursement is significantly below the market rates which families will pay when they become ineligible, those families who move from the highest income eligibility level to ineligibility will experience significant increases in the amount they have to pay for child care.

5) *Revenue Neutrality:* This principle can be expressed in two ways. Either the agency using this principle intends to keep its total expenditures the same for the same clientele size, or it intends simply to keep its expenditures the same, whether or not the same number of clients are served. This suggests that the revenue neutrality principle could be used, in times of scarcity of funds, to increase fees, thereby allowing the agency to subsidize a larger number of families for the same total amount of money. Revenue neutrality is not a principle which applies especially to child care fee schedules; rather it is a frequent necessity for public agencies.

The first four principles all relate to the client's perspective, while the last relates to the agency's perspective. Each of the five, however, may come into conflict with the others in certain situations. In fact, it is not possible to build a single fee structure which incorporates all of these principles or even avoids violation of one or more.

Deciding to construct a fee schedule using one or more of these principles involves both value judgments and empirical study. The latter should inform the agency of the composition and flow of the current clientele. That examination needs to be undertaken carefully, however, so that the proper conclusions are drawn. If the agency finds that the population generally drops out of the system at a given point, the reason for that may lie with the child care needs of the families involved or it may lie in the current structure of the system. Without understanding which of those is the underlying cause, the fee structure may have unintended and undesirable effects.

Discussion in the body of this report has pointed out that SRS currently uses two fee schedules for its child care programs, one for TCC and another for all other programs. The former assesses fees one-half the amount of the latter. The intent is to follow the affordability

principle, i.e., to ensure that clients just graduating from AFDC can afford the child care they need to remain off the public assistance rolls.

Quite clearly, however, this dual structure represents a violation of the equity principle, because families of the same income and size pay very different amounts. A recommendation has already been made that a single fee schedule be developed. The remainder of this appendix is devoted to suggesting a variety of ways in which such a structure could be developed.

Rather than present an entire schedule, this discussion will focus on fees paid by a family of three. In addition, it will be assumed, except where noted, that only one child in the family is receiving subsidized child care. The first chart represents the SRS system as it currently exists.

CHART I
SRS FEE SCHEDULE

Income Level	Normal Fee	Transitional Fee
100% Poverty	$19	$10
115% Poverty	$55	$28
130% Poverty	$94	$47
150% Poverty	$145	$73
185% Poverty	$178	$89

There are two simple ways in which to change the SRS fee schedule to conform to the recommendation that a single fee structure be applied to all clients. The first is simply to raise the fees paid by transitional clients to those paid by all others. This solution was, however, presumably rejected when the current structure was developed on the grounds that it might make fees unaffordable to transitional clients.

The second method would average the two fees, based on the current proportions of the population which pay fees. This would have four advantages. First, the increase in fees for TCC families would be smaller than in the first method. Second, fees for other income eligible clients would become more affordable, because those fees would decrease. Third, the revenue generated by fees, and therefore also the agency's costs would be unaffected. Fourth and most obviously, equity would be served, because families of like income and size would all pay the same fee.

When AFDC and MOST clients, neither of whom are subject to fees at all, are excluded, TCC children represent about 14% of the remaining population. Chart II shows what the single fee schedule would look like, if this approach were taken.

CHART II
SRS FEE SCHEDULE MODIFIED FOR EQUITY WITH TRANSITIONAL

Income Level	Fee
100% Poverty	$18
115% Poverty	$51
130% Poverty	$87
150% Poverty	$135
185% Poverty	$166

The overall effect of this modification is to reduce fees for all families except those receiving transitional subsidies and to raise them for transitional clients, although the differences from the current schedule are not large. Moreover, the same concerns about the affordability of care among TCC families may be raised in this alternative.

Other issues may also be raised with this structure, including issues which apply to the current fee schedule. The first is an affordability concern, not only for TCC clients, but for all low-income families. Clients up to the poverty line, including those well below it but for some reason not eligible for AFDC or for MOST child care, pay an $18 fee. While this is not a large amount of money to be paid on a monthly basis, it does represent at least 2% of the client family's income. For those with incomes well below the poverty line, the percentage is higher.

Second, the increases in fees from one eligibility category to another appear to be quite substantial. A family whose income rises from the poverty line to 115% of poverty experiences an increase in income of only 15%, but that family's fee for child care increases by 183%. The situation is even worse for families whose income rises from poverty to 101% or 102% of poverty; their increase in income is smaller, but they pay the same fee as the family at 115% of poverty. Some disparity is necessary if families with higher incomes are to pay a larger portion of their income towards their child care costs, but these increases are large enough that questions of affordability and notches across income eligibility levels are both raised.

Third, for those in the highest income bracket the transition to no subsidy at all appears likely to produce an extremely large notch. The highest fee in Chart II is $166 per month. The maximum level of reimbursement, however, is likely to be in the range of $260 to $300 per month, and even that represents only 55% of what the family may have to pay when it is no longer eligible for subsidy at all.

It is possible to address all of these issues simultaneously, at least to some degree, while still keeping the single fee schedule. All families at the poverty level can be assessed a nominal

fee (only because federal requirements for TCC require some fee for all families); increases in fees can be geared to a percentage of the portion of the family's income which is above the poverty line, rather than to the entire income; and the highest fee can be set just below the maximum reimbursement rate. Chart III shows the result of such a schedule.

CHART III
NO NOTCH FEE SCHEDULE

Income Level	Fee
100% Poverty	$1
115% Poverty	$46
130% Poverty	$92
150% Poverty	$153
185% Poverty	$260

Setting the poverty level fee at the lowest possible level makes the notch between 100% and 115% of poverty larger than normal, and that may be problematic for that portion of the population. While this schedule reduces the notch effects for the highest level of eligibility, it increases it for families moving across most other categories. As in the current SRS fee schedule the fee is a constant percentage of the amount of the client's income which exceeds poverty. Roughly 31% of each family's "over poverty" income is targeted for child care in this scheme. That keeps the fee schedule progressive, in that those at the 115% level pay 4% of their income for child care, while those at the 185% level pay 15%.

It should be noted that all notch effects can be eliminated if the fees are constructed on a straight percentage basis rather than in income categories such as SRS uses. According to the current SRS scheme, a client at the poverty level, i.e., $964 per month for a family of three, would pay $19 per month for child care, while a client with income of $974 per month, just $10 more, would pay a $55 fee for child care, more than three times the amount of the increase in income. In Chart III the difference would be even larger, $45. A perfectly "unnotched" system, however, would use a percentage, either of total income or of the income above some level like poverty, so that fees could never rise more than income.[20] If Chart III were turned into a percentage structure, each extra dollar of income would cause an increase in the fee of thirty-one cents.

While that structure looks eminently reasonable, there are also good reasons for using categories rather than percentages. The question is one of how strictly the agency will treat

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[20] The current SRS fee schedule, if translated into a percentage structure, could be read as one based on the income above the poverty line, after the initial poverty level is assumed. Clients at poverty pay 2% of their total income in fees, while clients above that level pay an additional 25¢ for each additional dollar of income.

changes in income. Under the current SRS structure, small changes will make no difference, unless the client happens to be on the border between two categories. Reporting of these small changes should thus not be an issue. On the other hand, if a percentage structure were used, every change in income would theoretically cause a change in the fee. To the extent that much of the population being served by SRS experiences significant variability in its income, that could cause frequent re-evaluations of the client's child care plan. If SRS were to turn towards a percentage calculation and interpret it so strictly that virtually all changes in income had to be reported, the system would be less likely to be seamless because the number of administrative closures would force many clients out of the system before they reached the top of the eligibility scale.

While Chart III appears to provide a mechanism for making fees equitable, affordable and unnotched, especially when fees are constructed with percentages rather than with income categories, it fails to eliminate the notch in at least one regard. When a family is receiving subsidy for two or more children, the amount of the subsidy is different but the amount of the fee stays the same. That means that when the client becomes ineligible for subsidy of any type, the cost of care will at least double, even if the fee that has been paid was constructed along the lines of Chart III. In this instance, the demands of the cost principle, which suggests that fees should be proportional to the cost of care as well as to the need of the client, coincides with an attempt to eliminate notches. Chart IV modifies the schedule in Chart III to show how a schedule might look if it were based on the cost principle, with allowance for avoiding notches.

CHART IV
COST FEE SCHEDULE

	Child Care Centers		Family Homes	
Income Level	One-Child	Two Children	One Child	Two Children
100% Poverty	$1	$2	$1	$2
115% Poverty	$46	$92	$35	$70
130% Poverty	$92	$184	$71	$142
150% Poverty	$153	$306	$118	$236
185% Poverty	$260	$520	$200	$400

For a system concerned with moving clients smoothly from one program to another and from public assistance to income eligibility to complete self-sufficiency, the cost schedule presents a theoretically attractive alternative. While it violates the equity principle by forcing families to pay different fees even when they have the same size and income, it provides for a smooth transition at all levels, especially if the fee calculations are done with percentages rather than income categories. It may provide, however, significant barriers to clients on the grounds of affordability. Families slightly above the poverty line who require child care for more than

one child may not be able to afford the 11% or 16% of their income for child care. The practical impact could be to lead them either to leave their children unattended or to quit their jobs.

There are, however, two other reasons for not using a schedule which bases fees on the cost of care. First, because the amount SRS pays providers is lower than the market rate, the notch between the highest fee and the actual cost of care, when the family becomes wholly ineligible, will still be quite large. This means that the schedule in Chart IV reduces the notch, but it cannot eliminate it entirely. The relatively small improvement in the situation of families moving out of the subsidized system is probably not worth incurring the disadvantages from other perspectives.

Second, from the description of the population which was given in the body of the paper, it would appear that SRS has few client families at the upper end of the income eligibility range. If this is true, the positive impact of the schedule in Chart IV would be quite small, while the negative effects would have an impact on a very large proportion of the population.

The schedule in Chart III may represent the best structure for SRS to use. It eliminates the inequity of the current fee schedule; it makes child care more affordable to families with poverty and near-poverty incomes; and it smoothes out the notches if the income categories are eliminated in favor of percentage calculations. Once KsCares is operational, percentage calculations can be turned over to the computer, making the calculation of fees both easier and more accurate. Percentage calculations should be tempered, however, by a rule that says clients must report variations in income only when they exceed a substantial amount of money, e.g. $100 per month.

Appendix B

Individuals Interviewed For This Report

Janet Schalansky, Director
SRS/Workforce Development Division

Thelma Hunter Gordon, Deputy Director
SRS/Workforce Development Division

Karen Juola, Coordinator of Children's Services
SRS/Workforce Development Division, Child Care Unit

Phyllis Lewin, Director
SRS/Workforce Development Division, Employment Preparation Services

Sally Adams, Fiscal Administrator
SRS/Workforce Development Division, Employment Preparation Services

Diane Bame, Special Assistant
SRS/Administrative Services

Phil Anderson, Acting Fiscal Officer
SRS/Management Services

Sandy Manning, Policy Consultant and Staff Assistant
SRS/Management Services

Mike Purcell, Project Manager
SRS/General Services, KsCares Project

Jerry Nelson, Income Maintenance Policy Supervisor
SRS/Income Maintenance

Christine Ross-Base, Director of Child Care Licensing and Registration
Department of Health and Environment

Laura Howard, Senior Fiscal Analyst
Legislative Research

Jane Royer, Social Service Administrator
SRS Topeka Area Office

Sharon Padgett, Office Assistant
SRS Topeka Area Office

Joyce Resnick, Community Program Consultant
SRS Topeka Area Office

Karen Zeleznak, Community Program Consultant
SRS Topeka Area Office

Carolyn Duffy, Social Worker
SRS Topeka Area Office

Carla Spicka, Program Technician
SRS Topeka Area Office

Tanya Hoyer, Social Worker
SRS Topeka Area Office

Pat Sudbeck, Social Worker
SRS Topeka Area Office

Pat Rogers, Social Worker
SRS Topeka Area Office

Gary Nelson, Director
SRS Hutchinson Area Office

Elaine Miller, KanWork Administrator
SRS Hutchinson Area Office

Mike Harrison, Social Worker
SRS Pittsburg Office

Glenn Fondoble, Area Supervisor
SDA I JTPA, Hays

Jeff Forrest, Executive Director
SDA II JTPA, Topeka

Ann Conway, Executive Director
SDAIII JTPA, Kansas City

Earline Wesley, Director
SDAIV JTPA, Wichita

Charles Elliot, Head Start Regional Office
Kansas City

Sydney K. Hardman, Advocacy Coordinator
Kansas Action for Children

Andi Schleicher, Executive Director
Child Care Association of Wichita/Sedgwick County

Marilyn S. Ward, Executive Director
Laurie Pigg, Director of Services
ERC Resource and Referral, Topeka

Amy Marsh, KACCRRA Special Projects Coordinator
Salina

Marcie Fallik, Executive Director
Day Care Connection, Lenexa

Carol Purvis, Heart of America Family Services
Kansas City

Child Care Providers Interviewed for This Report

Jane Kemp, Lakeshore Learning Center, Topeka

Kharon Hunter, Kharon and the Kids Family Child Care Home, Topeka

Gail Davis, Children's Learning Center, Lawrence

Martha Langley, Hilltop Children's Center, Lawrence

Debbie Ross and Marietta Winfrey, Little Lambs Home Day Care, Lawrence

Veda Daney, Veda's Family Day Care, Wichita

Sheryl Dunn, Wichita State University Child Development Center, Wichita

Ruth Coulter, Building Blocks Family Child Care, Wellington

Kathy Ellmore, Wee Too Pre School, Wellington

Amy Ruth, Family Child Care Provider, Newton

Nancy Peterson, Peterson Home Child Care, Emporia

Mary Murphy, Emporia Community Day Care Center, Emporia

Tina Shinkle, Fredonia Child Care Center, Fredonia

Theda Webster, Hays Area Children's Center, Hays

Kathy Caldwell, Grant County Day Care Center, Ulyses

Kansas Participants at NCSL Symposium on Child Care Policy

Representative Rochelle Chronister

Senator Lana Oleen

Representative Kathleen Sebelius

Representative Ellen Banman Samuelson

Jolene Grabill, Executive Director, Corporation for Change

Sydney Hardman, Advocacy Coordinator, Kansas Action for Children

Nancy McCarthy Snyder, Center for Urban Studies, Wichita State University

Janet Schalansky, Director, SRS/Workforce Development Division

Lynda Hutfles, Special Assistant, House Speaker Robert Miller